State of California
Fair Political Practices Commission
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Technical Assistance (916) 322-5662 • • Administration 322-5660 • • Executive/Legal 322-5901 • • Enforcement 322-6441 • • Statements of Economic Interest 322-6444

March 14, 1985

Greg Ryan
Hanna & Morton
600 Wilshire Blvd., 17th Floor
Los Angeles, CA 90017-3229

Re: Your Request for Advice
Our File No. A-84-292

Dear Mr. Ryan:

Thank you for your request for advice from this office concerning the lobbying provisions of the Political Reform Act[1/] and for the indefinite extension of time within which to respond to your request.

ISSUE PRESENTED

Are the proceedings before the California Public Utilities Commission (CPUC) concerning the implementation of federal regulations on the purchase of electric power by electric utilities from certain "qualifying" cogeneration and small power production facilities "administrative action" within the meaning of Section 82002?

CONCLUSION

These proceedings are not administrative action as discussed below.

FACTUAL BACKGROUND

Hanna and Morton represents clients who operate small electrical power production facilities utilizing alternative energy sources. For the past three years, representatives of

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1/ The Act is contained in Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise noted.

Hanna and Morton have attended and participated in hearings conducted by the CPUC on behalf of these clients. These hearings were instituted by the CPUC for the purpose of implementing certain federal regulations adopted by the Federal Energy Regulatory Commission (FERC) pursuant to the Public Utility Regulatory Policies Act (PURPA).2/ This Act and the regulations set forth the rules under which public electric utilities across the nation would be required to purchase power produced by certain "qualifying" cogeneration and small power production facilities. FERC's regulations establish the criteria for a "qualifying facility" and spell out the obligations of electric utilities to such qualifying facilities. FERC also directed the utility regulatory authority in each state to implement the regulations by establishing standards governing the prices, terms and conditions of the purchases of electric power by the state's various electric utilities from the qualifying facilities. These standards were to be based on the regulatory requirements that electric utilities interconnect with these facilities and purchase power from them at the electric utilities' "avoided cost" as defined in the federal regulations.

In the CPUC proceedings, applications were accepted from various electric utilities; each application consisted of a proposed standard offer contract which would govern that utility's purchases of electric power provided to it from qualifying facilities. The consolidated evidentiary hearings on the applications were directed at the development of standard contracts for each applicant utility. During these proceedings, the CPUC has issued various decisions and orders including the approval of each utility's application with modifications, and has further directed each utility to file new applications regarding other qualifying facilities.3/ It is my understanding that, at the present time, there are various proceedings pending which involve the qualifying facilities represented by Hanna and Morton and the implementation of the federal regulations. The questions you raised in your letter relate to whether or not, by participating in these proceedings, Hanna and Morton is attempting to influence administrative action and thus is subject to the lobbying provisions of the Political Reform Act.

2/ PURPA is located in 16 USC Sections 796 and 8242-3. The relevant FERC regulations are in 18 CFR, Part 292, a copy of which was attached to your advice request.

3/ Your letter includes a more detailed explanation of the procedural history of the application process.

DISCUSSION

As you know, generally any person who receives or makes payments to influence legislative or administrative action is subject to the lobbying provisions of the Act. Sections 82039 and 86100, et seq. "Administrative action" is defined to mean "the proposal, drafting, development, consideration, amendment, enactment or defeat by any state agency of any rule, regulation or other action in any rate-making proceeding or any quasi-legislative proceeding...." Section 82002.

This type of proceeding does not appear to be "ratemaking" within the meaning of Section 82002. Although the term "rate" is defined and used in the federal regulations (18 CFR Section 292.101(b)(5)), we do not think that the term "ratemaking" as used in the Political Reform Act was intended to cover this type of proceeding; we think it was intended to cover the proceedings where the PUC or similar body sets the rates or charges to be collected by the regulated entity for its service. We understand that there may be gray areas in the determination that a particular proceeding is ratemaking; in this case, however, it is our determination that these "qualifying facility" proceedings are not ratemaking.

Administrative action also includes "any quasi-legislative proceeding." Section 82002. By regulation, the Commission has provided that a proceeding of a state agency is not quasi-legislative under Section 82002 if it is any of the following:

(1) A proceeding to determine the rights or duties of a person under existing laws, regulations or policies.

(2) A proceeding involving the issuance, amendment or revocation of a permit or license.

(3) A proceeding to enforce compliance with existing law or to impose sanctions for violations of existing law.

(4) A proceeding at which an action is taken involving the purchase or sale of property, goods or services by such agency.

(5) A proceeding at which an action is taken which is ministerial in nature.

(6) A proceeding at which an action is taken awarding a grant or contract.

(7) A proceeding involving the issuance of a legal opinion.

2 Cal. Adm. Code Section 18202.

Subsections (2), (4), (5), (6) and (7) are clearly inapplicable to the proceedings at issue here. You suggest in your advice request that subsections (1) and (3) could be used to describe the proceedings. However, we interpret subsection (3) to apply principally to enforcement proceedings of the type covered by the Administrative Procedures Act (Section 11500, et seq.) wherein evidence of past violations of the law is presented and a decisions is made on whether violations have occurred and whether penalties should be imposed. The proceedings at issue here are clearly not this type of proceeding.

On the other hand, subsection (1) is relevant here. This subsection embodies the basic test for quasi judicial action of administrative agencies as developed by the courts. See discussions in Opinion requested by Carl Leonard, 2 FPPC Opinions 54 (No. 75-042, April 22, 1976) and Opinion requested by James L. Evans, 4 FPPC Opinions 77 (No. 78-008-B, Nov. 8, 1978).

It is our opinion that the PUC proceedings detailed in your letter fall within subsection (1) of 2 Cal. Adm. Code Section 18202. Accordingly, the lobbying disclosure provisions of the Act will not be triggered. We base this conclusion on the following factors. The proceedings were set up to implement federal law and regulations at the direction of a federal agency; the federal regulations provide the specific criteria which must be used in setting the prices, terms and conditions. Each utility is treated separately, and, as you stated in your letter, "only a narrow decision relating to the price, term, and conditions of the purchases based upon each utility's application results from the OIR proceeding."

In summary, these proceedings are not quasi-legislative, and the activities of your firm with reference to these activities are not covered by the lobbying provisions of the Political Reform Act. I should like to note, however, that our conclusion is limited to the proceedings described in your letter. There may be related proceedings which are quasi legislative that will be covered by the Act.

Thanks again for your patience. If I can be of further assistance, please feel free to contact me at (916) 322-5901.

Sincerely,

Diane Maura Fishburn
Staff Counsel
Legal Division

DMF:plh

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November 21, 1984

Barbara Milman, Esq.
Fair Political Practices Commission
1100 "K" Street Mall
Sacramento, CA 95814

Re: Request for Written Advice
Title II, Division 6 of the California
Administrative Code, Section 18329(b)

Dear Ms. Milman:

On behalf of the law firm of Hanna and Morton, I submit the following request for written advice pursuant to Regulation 18329(b):

FACTS

For the past three years, representatives of Hanna and Morton have attended and participated in hearings conducted by the California Public Utilities Commission (PUC). Hanna and Morton represents clients which operate small electrical power production facilities utilizing alternative energy sources. In 1978, Congress passed the Public Utility Regulatory Policies Act (PURPA). 16 USC Sections 796 and 824a-3. This Act directed the Federal Energy Regulatory Commission (FERC) to promulgate rules under which public electric utilities across the nation would be required to purchase power produced by certain "qualifying" cogeneration and small power production facilities. Among other things, FERC's regulations establish the criteria for a "qualifying facility" and spell out the obligations of electric utilities to such qualifying facilities. FERC also directed the utility regulatory authority in each state, as well as each nonregulated electric utility, to implement FERC's regulations. See 18 Code of Federal Regulations, Part 292, a copy of which has been attached to this request.

By Order Instituting Rulemaking (OIR) II, dated September 3, 1980, the California PUC initiated a proceeding for the purpose of establishing standards governing the prices, terms, and conditions of purchases of electric power by California's various electric utilities from those "qualifying" cogeneration and small power production facilities throughout the state. OIR II was issued in response to FERC's rule at 18 CFR section 292.401(a) which orders state agencies to implement the federal regulations governing these transactions. Among other things, the federal regulations require electric utilities to interconnect with (18 CFR section 292.303(c)) and to purchase electric power from (18 CFR section 292.303(a)) qualifying facilities at the electric utilities' full "avoided cost," as defined in FERC's regulations.

Although captioned a rulemaking proceeding, OIR II proceeded in the manner of consolidated individual applications. At the direction of the PUC, various California electric utilities, including Pacific Gas & Electric, Southern California Edison and San Diego Gas & Electric, filed applications with the PUC. Each application consisted of a proposed standard offer contract which would govern each utility's purchases of electric power provided to it from qualifying facilities. The evidentiary hearings which followed were directed at development of such standard contracts for each applicant utility with terms consistent with the requirements of the federal regulations. Hanna and Morton, on behalf of its "qualifying" power producer clients, and numerous other parties attended and participated actively in the hearings. Much written evidence was received by the PUC as well as direct testimony and cross examination of expert witnesses.

These hearings culminated on January 21, 1982 in a PUC Order (Decision 82-01-103) which included numerous findings of fact and conclusions of law. Among other things, this decision ordered each utility to amend their respective applications in accordance therewith. In response to this order, each utility amended their respective applications, including each standard offer. On May 19, 1982, a new round of hearings were commenced in order to determine whether each amended application complied with the January 21, 1982 Order. Hanna and Morton, on behalf of its clients, again filed prepared testimony and other evidence, retained experts who undertook direct oral testimony and cross-examined other participant's witnesses. Written briefs were also filed with the PUC.

These hearings also culminated in an Order of the PUC (Decision 82-12-120). That Order approved each utility's application with modifications, and further directed each utility to file new applications regarding those qualifying facilities with different operating capabilities than the facilities which the first applications were most applicable to. These new applications have proceeded under a separate docket than the OIR II applications, but in a similar manner, with prepared testimony, direct and cross examination of witnesses and the filing of briefs. Hanna and Morton has and continues to participate in this proceeding.

REQUEST FOR WRITTEN ADVICE

Are the application proceedings conducted pursuant to OIR II by the California Public Utilities Commission, pursuant to Federal Energy Regulatory Commission Regulation at 18 CFR Part 292, not a quasi-legislative proceeding for the purposes of Government Code Section 82002?

PROPOSED CONCLUSION

The character of the OIR II proceeding conducted by the PUC indicates that it is not a quasi-legislative proceeding for the purposes of Government Code Section 82002 because it is the type of proceeding defined under Subsections (1) and (3) of FPPC Regulation Section 18202(a), and is quasi-judicial in nature.

PROPOSED ANALYSIS

It would seem that the key to determining whether Hanna and Morton would be subject to the disclosure requirements of the Political Reform Act for its participation in the above-described PUC proceedings would be dependent upon whether it was being compensated to influence "administrative action". Government Code Section 82002 defines administrative action as follows:

> "Administrative Action. 'Administrative action' means the proposal, drafting, development, consideration, amendment, enactment or defeat by any state agency of any rule, regulation or other action in any ratemaking proceeding or any quasi-legislative

> proceedings, which shall include any proceeding governed by Chapter 4.5 of Division 3 of Title 2 of the Government Code (beginning with Section 11271)."[1]

The Fair Political Practices Commission (FPPC) has promulgated regulations which further interpret the Act, including Section 82002. Title 2, Division 6 of the California Administrative Code Section 18202(a) states in relevant part as follows:

> "18202. Quasi-Legislative Administrative Action
>
> (a) A proceeding of a state agency is not a quasi-legislative proceeding for the purposes of Government Code Section 82002 if it is any of the following:
>
> (1) A proceeding to determine the rights or duties of a person under existing laws, regulations or policies.
>
> (3) A proceeding to enforce compliance with existing law or to impose sanctions for violations of existing law."

Subsections (1) and (3) strongly suggest that proceedings before California administrative agencies which are "judicial" in nature are not within the definition set forth in Government Code Section 82002 and that persons being compensated to influence agency action therein would therefore not be subject to the disclosure requirements of the Act.

1. The PUC's Proceedings Determined the Rights or Duties of a Person Under Existing Laws, Regulations or Policies Pursuant to Subsection (1) of Regulation 18202(a).

OIR II was conducted pursuant to a consolidated applications proceeding in which each electric utility filed a

[1]Chapter 4.5 is now Chapter 3.5. It begins with Government Code Section 11340.

separate application relating only to it. The PUC examined the individual characteristics of each utility's application in order to establish the prices, terms, and conditions the applicant utility would be required to meet in purchasing power made available to it by "qualifying" power production facilities. One of the most important factors in establishing the purchase price was the determination of the applicant's full "avoided cost" (i.e., the incremental cost of power the utility would have incurred had it generated or purchased the same amount of power through its regular sources instead of the qualifying facility). The applicant utility is required to pay the "full avoided cost" by FERC regulations. In effect, the PUC was therefore acting as a judge who merely applied FERC regulations and determined each applicant's rights and obligations thereunder.

Particular attention must be made of the procedural characteristics of OIR II. Although entitled "Order Instituting Rule-Making," which by definition precludes evidentiary hearings, the proceedings were directed at consideration of individual applications. This is understandable because, among other reasons, each applicant utility presumably has a different "full avoided cost". For example, one utility may obtain a larger portion of its electric power from low-cost hydroelectric generators as opposed to expensive oil-burning sources.

The individual nature of each utility system, the issuance of orders which are tailored to each individual utility's application, and the uniqueness of the standard contract finally approved for each utility are all indicative of a proceeding to determine the rights or duties of a person under existing laws, regulations or policies (i.e., the FERC regulations). Subsection (1) is directly applicable and the OIR proceedings are therefore not quasi-legislative for the purposes of Government Code Section 82002.

2. <u>The PUC's Proceedings Were Conducted to Enforce Compliance With Existing Law or to Impose Sanctions for Violations of Existing Law Pursuant to Subsection (3) of Regulation 18202(a)</u>.

FERC regulations at 18 CFR Part 292 define the relationship between electric utilities and the small power production facilities which qualify under those regulations. As

stated above, FERC Regulation 18 CFR section 292.303(c) requires electric utilities to interconnect with and 18 CFR section 292.303(a) requires the purchase of electric power from qualifying facilities. Pursuant to 18 CFR section 292.304, the rates for such purchases must be at the electric utilities' "full avoided cost." The OIR II proceedings, instituted in response to FERC's regulations at 18 CFR section 292.401, were conducted to establish the prices, terms, and conditions of purchase contracts required of each electric utility. This, in effect, results in PUC orders which enforce compliance with existing law, FERC's regulations. Each utility is ordered by the PUC to adhere to the prices, contractual terms, and conditions which are found by the PUC to be in accord with FERC's rule implementing PURPA.

Subsection (3) would therefore be directly applicable to the OIR proceeding in addition to above discussed subsection (1) of Section 18202(a). State regulatory authorities such as the PUC are enforcing compliance with PURPA and FERC's regulations through these proceedings. It is not a quasi-legislative activity.

3. Even If Regulation Section 18202(a)(1) and (3) Were Not Applicable, the OIR Proceedings Would Not Be Included Under Government Code Section 82002 Because of Its Quasi-Judicial Nature.

As stated above, administrative action which is subject to the disclosure requirements of the Act are defined in Government Code Section 82002 as set forth above. In sum, ratemaking proceedings or quasi-legislative proceedings (including those subject to the California Administrative Procedure Act) are administrative actions subject to the Act. Although the FPPC has clarified the statutory definition by promulgating Regulation section 18202, Government Code Section 82002 itself does not subject the PUC's OIR proceedings to the Act.

For example, ratemaking involves the establishment of rates which are defined in California Public Utilities Code Section 210 as including ". . . rates, fares, tolls, rentals, and charges, unless the context indicates otherwise." It has been said that many variables are taken into account and broad policies are formulated by the PUC when it is involved with ratemaking. Southern California Edison v. Public Utilities Commission 20 Cal.3d 813, 828 (1978). However, the policy

decision upon which the OIR II proceedings are based have already been made by Congress. The PUC is merely determining the rights of each utility under its jurisdiction. The PUC is not fixing rates that consumers must pay the utility in the classic ratemaking scenario.

Even if the PUC orders establishing the terms of purchases of power by each electric utility from qualifying facilities has some effect on rates paid by the utility's consumers, the PUC is not engaged in ratemaking as defined in Public Utilities Code. Ratemaking is the determination of all charges demanded or received by any public utility for any product or commodity furnished or to be furnished or service rendered or to be rendered be just and reasonable. See Public Utilities Code Sections 451 and 454. The OIR II proceedings, however, are therefore just the opposite of ratemaking. In OIR II the PUC is determining the charges each utility must pay to "qualifying" cogeneration and small power producers.

Section 82002 also subjects quasi-legislative proceedings to the disclosure requirements of the Act. This is understandable because rule-making and regulation promulgation by administrative agencies resembles what legislators engage in when enacting laws. Hence, the term "quasi-legislative." See also K. Davis, Administrative Law Treatise, Section 7:2 (2nd ed., 1983). On the other hand, when an administrative agency adjudicates or determines the rights or duties of a party, it is acting in the nature of a court and is often referred to as exercising its "quasi-judicial" powers. The Fair Political Practices Commission is familiar with the distinction between these two powers. In 4 FPPC Opinions 84, the FPPC characterized as quasi-judicial certain proceedings conducted by the PUC. The Commission stated:

> "The line drawn by the Act's definition of administrative action appears to be the line traditionally drawn by the courts and legislative bodies between actions of administrative agencies which are quasi-legislative in nature and those which are quasi-judicial." 4 FPPC Opinions 84, 88.

The first question answered by the Commission in 4 FPPC Opinions 84 is very similar to the issue presented relating to the OIR proceedings. Although Regulation section 18202(a)(1) and (3) appear to exclude on its face the OIR proceedings from the definition of administrative action, the analysis followed by the Commission in the first issue of 4 FPPC Opinions 84 would also exclude the OIR proceedings from the Act. 4 FPPC Opinions 84 analyzed whether a railroad's application to discontinue service and a bus company's application to commence service pursuant to the PUC's authority to issue operating certificates were legislative or administrative actions for the purposes of the Act. The Commission determined that the proceedings did not involve a regulation, order or standard of general application under Government Code Section 11371(b) because the certificates would apply only to the respective applicants. The Commission also determined that the proceedings do not involve ratemaking because the PUC conducted ratemaking proceedings separate from certificate proceedings.

The Commission then cited Strumsky v. San Diego County Employees Retirement Assn. 11 C.3d 28 (1974) as the judicial "dividing line" in distinguishing between quasi-legislative and quasi-judicial proceedings. At page 35, n. 2 of Strumsky, the California Supreme Court described this distinction as follows:

> "Generally speaking, a legislative action is the formulation of a rule to be applied to all future cases, while an adjudicatory act involves the actual application of such a rule to a specific set of existing facts."

The Commission applied the Strumsky formulation to the PUC's certificate proceedings and made the following observation at 4 FPPC Opinions p. 90:

> ". . . the legislative action occurred when the Legislature adopted the various Public Utilities Code sections authorizing the PUC to grant operating permission to public utilities if the public's convenience and necessity would be served by the grant. In adopting those authorizing sections, the Legislature set out a general rule of convenience and necessity to be applied in

> all future cases. The adjudicatory or quasi-judicial action occurs when the general rule, the convenience and necessity test, is applied to the specific facts brought before the PUC by a person or corporation seeking to obtain or relinquish an operating certificate." [Footnote omitted.]

The Commission also rejected the quasi-legislative/quasi-judicial distinction set out by the California Court of Appeal in Hubbs v. People Ex Rel. Department of Public Works 36 Cal.App.3d 1005 (1974) and declared that the term "quasi-legislative" need not be broadly defined for the purposes of the Act. Instead, the Commission believed that PUC's certificate proceedings were quasi-judicial. The Commission reasoned as follows:

> ". . . but it is our opinion that the purpose of the Act in drawing the line between quasi-legislative and quasi-judicial action was to limit disclosure to activity aimed at influencing those decisions which, by their very nature, are most likely to be applicable to classes of persons or situations, not just an individual applicant. In certain cases, such a dividing line may require disclosure where there is no great interest in disclosure and dispense with disclosure where there is a great interest in disclosure. However, we believe that as a general matter, the dividing line we have articulated here will work to require disclosure in those situations where it is most useful because of the wide applicability of the administrative decision, yet limit disclosure where it is least useful because of the narrow applicability of the decision." [Footnote omitted.]

The Commission concluded that the PUC certificate proceedings were not "administrative action" as defined by the Act because of its narrow applicability.

The same conclusion can be reached regarding the PUC's OIR proceedings by applying the Strumsky formulation as well as

the Commission's observation at 4 FPPC Opinions 84 that the Act's disclosure requirements should be limited ". . . to activity aimed at influencing those decisions which, by their very nature, are most likely to be applicable to classes of persons or situations, not just an individual applicant." The PUC's OIR proceedings apply regulations (a general rule), established by Congress and FERC, to each utility applicant (specific facts). 4 FPPC Opinions at p. 90. The PUC's OIR proceeding is therefore much like a PUC certificate proceeding. There is no decision of general or broad application. Instead, only a narrow decision relating to the price, term, and conditions of the purchases based upon each utility's application results from the OIR proceeding. The OIR proceeding cannot be considered quasi-legislative.

I hope that the above facts and analysis can assist you in advising us in this matter. Please do not hesitate to contact me if you should need further information. Thank you.

Cordially,

GREG RYAN
FOR
HANNA AND MORTON

GR:cw

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information. Addi- ion required for pur- and evaluation of the ll be supplied if re- mission Staff or by the authority.
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G—Enforcement

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ction by private party. suffering legal wrong be- act or practice arising out on of this part may bring for appropriate relief, in- action for a declaratory writ of injunction. United t courts have jurisdiction

of actions under this paragraph without regard to the amount in controversy. Nothing in this paragraph shall authorize any person to recover damages.

PART 292—REGULATIONS UNDER SECTIONS 201 AND 210 OF THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978 WITH REGARD TO SMALL POWER PRODUCTION AND COGENERATION

Subpart A—General Provisions

Subpart B—Qualifying Cogeneration and Small Power Production Facilities

Subpart C—Arrangements Between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities Under Section 210 of the Public Utility Regulatory Policies Act of 1978

Subpart D—Implementation

Subpart E—Qualification of Cogeneration Facilities for Incremental Pricing Exemption

Subpart F—Exemption of Qualifying Small Power Production Facilities and Cogeneration Facilities From Certain Federal and State Laws and Regulations

OMB CONTROL No. 1902-0075. (47 FR 614, Jan. 6, 1982)

Subpart A—General Provisions

§ 292.101 Definitions.

(a) *General rule.* Terms defined in the Public Utility Regulatory Policies Act of 1978 (PURPA) shall have the same meaning for purposes of this part as they have under PURPA, unless further defined in this part.

(b) *Definitions.* The following definitions apply for purposes of this part.

(1) "Qualifying facility" means a cogeneration facility or a small power production facility which is a qualifying facility under Subpart B of this part of the Commission's regulations.

(2) "Purchase" means the purchase of electric energy or capacity or both from a qualifying facility by an electric utility.

(3) "Sale" means the sale of electric energy or capacity or both by an electric utility to a qualifying facility.

(4) "System emergency" means a condition on a utility's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

(5) "Rate" means any price, rate, charge, or classification made, demanded, observed or received with respect to the sale or purchase of electric energy or capacity, or any rule, regulation, or practice respecting any such rate, charge, or classification, and any contract pertaining to the sale or purchase of electric energy or capacity.

(6) "Avoided costs" means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source.

(7) "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent such costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs.

(8) "Supplementary power" means electric energy or capacity supplied by an electric utility, regularly used by a qualifying facility in addition to that which the facility generates itself.

(9) "Back-up power" means electric energy or capacity supplied by an electric utility to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.

(10) "Interruptible power" means electric energy or capacity supplied by an electric utility subject to interruption by the electric utility under specified conditions.

(11) "Maintenance power" means electric energy or capacity supplied by an electric utility during scheduled outages of the qualifying facility.

(Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.* Federal Power Act, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267)

[45 FR 12233, Feb. 25, 1980]

Subpart B—Qualifying Cogeneration and Small Power Production Facilities

AUTHORITY: Public Utility Regulatory Policies Act of 1978, (16 U.S.C. 2601, *et seq.*), Energy Supply and Environmental Coordination Act, (15 U.S.C. 791 *et seq.*), Federal Power Act, as amended, (16 U.S.C. 792, *et seq.*), Department of Energy Organization Act, (42 U.S.C. 7101 *et seq.*), E.O. 12009, 42 FR 46267, Natural Gas Policy Act of 1978, (15 U.S.C. 3301, *et seq.*), unless otherwise noted.

§ 292.201 Scope.

This subpart applies to the criteria for and manner of becoming a qualifying small power production facility and a qualifying cogeneration facility under sections 3(17)(C) and 3(18)(B), respectively, of the Federal Power Act, as amended by section 201 of the Public Utility Regulatory Policies Act of 1978 (PURPA).

[45 FR 17972, Mar. 20, 1980]

§ 292.202 Definitions.

For purposes of this subpart:

(a) "Biomass" means any organic material not derived from fossil fuels;

(b) "Waste" means by-product materials other than biomass;

(c) "Cogeneration facility" means equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes, through the sequential use of energy;

(d) "Topping-cycle cogeneration facility" means a cogeneration facility in which the energy input to the facility is first used to produce useful power output, and the reject heat from power production is then used to provide useful thermal energy;

(e) "Bottoming-cycle cogeneration facility" means a cogeneration facility in which the energy input to the system is first applied to a useful thermal energy process, and the reject heat emerging from the process is then used for power production;

(f) "Supplementary firing" means an energy input to the cogeneration facility used only in the thermal process of a topping-cycle cogeneration facility, or only in the electric generating

process of a bottoming-cycle cogeneration facility;

(g) "Useful power output" of a cogeneration facility means the electric or mechanical energy made available for use, exclusive of any such energy used in the power production process;

(h) "Useful thermal energy output" of a topping-cycle cogeneration facility means the thermal energy made available for use in any industrial or commercial process, or used in any heating or cooling application;

(i) "Total energy output" of a topping-cycle cogeneration facility is the sum of the useful power output and useful thermal energy output;

(j) "Total energy input" means the total energy of all forms supplied from external sources;

(k) "Natural gas" means either natural gas unmixed, or any mixture of natural gas and artificial gas;

(l) "Oil" means crude oil, residual fuel oil, natural gas liquids, or any refined petroleum products; and

(m) Energy input in the case of energy in the form of natural gas or oil is to be measured by the lower heating value of the natural gas or oil.

(n) "Electric utility holding company" means a holding company, as defined in section 2(a)(7) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(7) which owns one or more electric utilities, as defined in section 2(a)(3) of that Act, 15 U.S.C 79b(a)(3), but does not include any holding company which is exempt by rule or order adopted or issued pursuant to sections 3(a)(3) or 3(a)(5) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79c(a)(3) or 79c(a)(5).

(o) "Utility geothermal small power production facility" means a small power production facility which uses geothermal energy as the primary energy resource and of which more than 50 percent is owned either:

(1) By an electric utility or utilities, electric utility holding company or companies, or any combination thereof.

(2) By any company 50 percent or more of the outstanding voting securities of which of which are directly or indirectly owned, controlled, or held with power to vote by an electric utility, electric utility holding company, or any combination thereof.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267)

[45 FR 17972, Mar. 20, 1980, as amended at 45 FR 33958, May 21, 1980; 45 FR 66789, Oct. 8, 1980; Order 135, 46 FR 19231, Mar. 30, 1981; 46 FR 32239, June 22, 1981]

§ 292.203 General requirements for qualification.

(a) *Small power production facilities.* A small power production facility is a qualifying facility if it:

(1) Meets the maximum size criteria specified in § 292.204(a);

(2) Meets the fuel use criteria specified in § 292.204(b); and

(3) Meets the ownership criteria specified in § 292.206.

(b) *Cogeneration facilities.* (1) A cogeneration facility, including any diesel and dual-fuel cogeneration facility, is a qualifying facility if it:

(i) Meets any applicable operating and efficiency standards specified in § 292.205 (a) and (b); and

(ii) Meets the ownership criteria specified in § 292.206.

(2) For purposes of qualification of a cogeneration facility for exemption from incremental pricing, a cogeneration facility must qualify under § 292.205(c).

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-E, 46 FR 33027, June 26, 1981]

§ 292.204 Criteria for qualifying small power production facilities.

(a) *Size of the facility*—(1) *Maximum size.* The power production capacity of the facility for which qualification is sought, together with the capacity of any other facilities which use the same energy resource, are owned by the same person, and are located at the same site, may not exceed 80 megawatts.

(2) *Method of calculation.* (i) For purposes of this paragraph, facilities are considered to be located at the same site as the facility for which qualification is sought if they are lo-

cated within one mile of the facility for which qualification is sought and, for hydroelectric facilities, if they use water from the same impoundment for power generation.

(ii) For purposes of making the determination in clause (i), the distance between facilities shall be measured from the electrical generating equipment of a facility.

(3) *Waiver.* The Commission may modify the application of paragraph (a)(2) of this section, for good cause.

(b) *Fuel use.* (1) (i) The primary energy source of the facility must be biomass, waste, renewable resources, geothermal resources, or any combination thereof, and 75 percent or more of the total energy input must be from these sources.

(ii) Any primary energy source which, on the basis of its energy content, is 50 percent or more biomass shall be considered biomass.

(2) Use of oil, natural gas, and coal by a facility may not, in the aggregate, exceed 25 percent of the total energy input of the facility during any calendar year period.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15, U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[45 FR 17972, Mar. 20, 1980, as amended by Order 135, 46 FR 19231, Mar. 30, 1981]

§ 292.205 Criteria for qualifying cogeneration facilities.

(a) *Operating and efficiency standards for topping-cycle facilities*—(1) *Operating standard.* For any topping-cycle cogeneration facility, the useful thermal energy output of the facility must, during any calendar year period, be no less than 5 percent of the total energy output.

(2) *Efficiency standard.* (i) For any topping-cycle cogeneration facility for which any of the energy input is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility plus one-half the useful thermal energy output, during any calendar year period, must:

(A) Subject to paragraph (a)(2)(i)(B) of this section be no less than 42.5 percent of the total energy input of natural gas and oil to the facility; or

(B) If the useful thermal energy output is less than 15 percent of the total energy output of the facility, be no less than 45 percent of the total energy input of natural gas and oil to the facility.

(ii) For any topping-cycle cogeneration facility not subject to paragraph (a)(2)(i) of this section there is no efficiency standard.

(b) *Efficiency standards for bottoming-cycle facilities.* (1) For any bottoming-cycle cogeneration facility for which any of the energy input as supplementary firing is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility must, during any calendar year period, be no less than 45 percent of the energy input of natural gas and oil for supplementary firing.

(2) For any bottoming-cycle cogeneration facility not covered by paragraph (b)(1) of this section, there is no efficiency standard.

(c) *Exemption from incremental pricing.* (1) Natural gas used in any topping-cycle cogeneration facility is eligible for an exemption from incremental pricing under Title II of the Natural Gas Policy Act of 1978 (NGPA) and Part 282 of the Commission's rules if:

(i) The facility meets the operating and efficiency standards under paragraphs (a)(1) and (2)(i) of this section and is a qualifying facility under § 292.203(b)(1); or

(ii) The facility is a qualifying facility under Subpart E of this part.

(2) Natural gas used in any bottoming-cycle cogeneration facility, not subject to an exemption from incremental pricing under Subpart E of this part, is eligible for an exemption under Title II of the NGPA and Part 282 of the Commission's rules to the extent that reject heat emerging from the useful thermal energy process is made available for use for power production.

(3) Nothing in this subpart affects any exemption provided under Subpart E of this part.

(4) Natural gas used for supplementary firing in any cogeneration facility is not eligible under this part for exemption from incremental pricing.

(d) *Waiver.* The Commission may waive any of the requirements of paragraphs (a), (b) and (c) of this section upon a showing that the facility will produce significant energy savings.

[45 FR 17972, Mar. 20, 1980]

§ 292.206 Ownership criteria.

(a) *General rule.* A cogeneration facility or small power production facility may not be owned by a person primarily engaged in the generation or sale of electric power (other than electric power solely from cogeneration facilities or small power production facilities).

(b) *Ownership test.* For purposes of this section, a cogeneration or small power production facility shall be considered to be owned by a person primarily engaged in the generation or sale of electric power, if more than 50 percent of the equity interest in the facility is held by an electric utility or utilities, or by an electric utility holding company, or companies, or any combination thereof. If a wholly or partially owned subsidiary of an electric utility or electric utility holding company has an ownership interest of a facility, the subsidiary's ownership interest shall be considered as ownership by an electric utility or electric utility holding company.

(c) *Exceptions.* For purposes of this section a company shall not be considered to be an "electric utility" company if it:

(1) Is a subsidiary of an electric utility holding company which is exempt by rule or order adopted or issued pursuant to section 3(a)(3) or 3(a)(5) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79c(a)(3), 79c(a)(5); or

(2) Is declared not to be an electric utility company by rule or order of the Securities and Exchange Commission pursuant to section 2(a)(3)(A) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(3)(A).

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-B, 45 FR 52780, Aug. 8, 1980; Order 70-D, 46 FR 11253, Feb. 6, 1981]

§ 292.207 Procedures for obtaining qualifying status.

(a) *Qualification.* (1) A small power production facility or cogeneration facility which meets the criteria for qualification set forth in § 292.203 is a qualifying facility.

(2) The owner or operator of any facility qualifying under this paragraph shall furnish notice to the Commission providing the information set forth in paragraphs (b)(2) (i) through (iv) of this section.

(b) *Optional procedure*—(1) *Application for Commission certification.* Pursuant to the provisions of this paragraph, the owner or operator of the facility may file with this Commission an application for Commission certification that the facility is a qualifying facility.

(2) *General contents of application.* The application shall contain the following information:

(i) The name and address of the applicant and location of the facility;

(ii) A brief description of the facility, including a statement indicating whether such facility is a small power production facility or a cogeneration facility;

(iii) The primary energy source used or to be used by the facility;

(iv) The power production capacity of the facility; and

(v) The percentage of ownership by any electric utility or by any electric utility holding company, or by any person owned by either.

(3) *Additional application requirements for small power production facilities.* An application by a small power producer for Commission certification shall contain the following additional information:

(i) The location of the facility in relation to any other small power production facilities located within one mile of the facility, owned by the applicant which use the same energy source; and

(ii) Information identifying any planned usage of natural gas, oil or coal.

(4) *Additional application requirements for cogeneration facilities.* An application by a cogenerator for Com-

mission certification shall contain the following additional information:

(i) A description of the cogeneration system, including whether the facility is a topping or bottoming cycle and sufficient information to determine that any applicable requirements under § 292.205 will be met; and

(ii) The date installation of the facility began or will begin.

(5) *Commission action.* Within 90 days of the filing of an application, the Commission shall issue an order granting or denying the application, tolling the time for issuance of an order, or setting the matter for hearing. Any order denying certification shall identify the specific requirements which were not met. If no order is issued within 90 days of the filing of the complete application, it shall be deemed to have been granted.

(6) *Notice.* (i) Applications for certification filed under this paragraph shall include a copy of a notice of the request for certification for publication in the FEDERAL REGISTER. The notice shall state the applicant's name, the date of the application, and a brief description of the facility for which qualification is sought. This description shall include:

(A) A statement indicating whether such facility is a small power production facility or a cogeneration facility;

(B) The primary energy source used or to be used by the facility;

(C) The power production capacity of the facility; and

(D) The location of the facility.

(ii) The notice shall be in the following form:

(Name of Applicant)
Docket No. QF-

NOTICE OF APPLICATION FOR COMMISSION CERTIFICATION OF QUALIFYING STATUS OF A (SMALL POWER PRODUCTION) (COGENERATION) FACILITY

On (date application was filed), (name and address of applicant) filed with the Federal Energy Regulatory Commission an application to be certified as a qualifying (small power production) (cogeneration) facility pursuant to § 292.207 of the Commission's rules.

[Brief description of the facility].

Any person desiring to be heard or objecting to the granting of qualifying status should file a petiton to intervene or protest with the Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426, in accordance with §§385.209 and 385.214 of this chapter. All such petitions or protests must be filed within 30 days after the date of publication of this notice and must be served on the applicant. Protests will be considered by the Commission in determining the appropriate action to be taken but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a petition to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

(c) *Notice requirements for facilities of 500 kW or more.* An electric utility is not required to purchase electric energy from a facility with a design capacity of 500 kW or more until 90 days after the facility notifies the utility that it is a qualifying facility, or 90 days after the facility has applied to the Commission under paragraph (b) of this section.

(d) *Revocation of qualifying status.* (1) The Commission may revoke the qualifying status of a qualifying facility which has been certified under this section if such facility fails to comply with any of the statements contained in its application for Commission certification.

(2) Prior to undertaking any substantial alteration or modification of a qualifying facility which has been certified under this section, a small power producer or cogenerator may apply to the Commission for a determination that the proposed alteration or modification will not result in a revocation of qualifying status.

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-A, 45 FR 33603, May 20, 1980; Order 70-B, 45 FR 52780, Aug. 8, 1980; Order 225, 47 FR 19058, May 3, 1982]

Subpart C—Arrangements Between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities Under Section 210 of the Public Utility Regulatory Policies Act of 1978

AUTHORITY: Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.* Federal Power Act, 16 U.S.C. 792 *et seq.*, Department

of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267.

SOURCE: 45 FR 12234, Feb. 25, 1980, unless otherwise noted.

§ 292.301 Scope.

(a) *Applicability.* This subpart applies to the regulation of sales and purchases between qualifying facilities and electric utilities.

(b) *Negotiated rates or terms.* Nothing in this subpart:

(1) Limits the authority of any electric utility or any qualifying facility to agree to a rate for any purchase, or terms or conditions relating to any purchase, which differ from the rate or terms or conditions which would otherwise be required by this subpart; or

(2) Affects the validity of any contract entered into between a qualifying facility and an electric utility for any purchase.

§ 292.302 Availability of electric utility system cost data.

(a) *Applicability.* (1) Except as provided in paragraph (a)(2) of this section, paragraph (b) applies to each electric utility, in any calendar year, if the total sales of electric energy by such utility for purposes other than resale exceeded 500 million kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding calendar year.

(2) Each utility having total sales of electric energy for purposes other than resale of less than one billion kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding year, shall not be subject to the provisions of this section until June 30, 1982.

(b) *General rule.* To make available data from which avoided costs may be derived, not later than November 1, 1980, June 30, 1982, and not less often than every two years thereafter, each regulated electric utility described in paragraph (a) of this section shall provide to its State regulatory authority, and shall maintain for public inspection, and each nonregulated electric utility described in paragraph (a) of this section shall maintain for public inspection, the following data:

(1) The estimated avoided cost on the electric utility's system, solely with respect to the energy component, for various levels of purchases from qualifying facilities. Such levels of purchases shall be stated in blocks of not more than 100 megawatts for systems with peak demand of 1000 megawatts or more, and in blocks equivalent to not more than 10 percent of the system peak demand for systems of less than 1000 megawatts. The avoided costs shall be stated on a cents per kilowatt-hour basis, during daily and seasonal peak and off-peak periods, by year, for the current calendar year and each of the next 5 years;

(2) The electric utility's plan for the addition of capacity by amount and type, for purchases of firm energy and capacity, and for capacity retirements for each year during the succeeding 10 years; and

(3) The estimated capacity costs at completion of the planned capacity additions and planned capacity firm purchases, on the basis of dollars per kilowatt, and the associated energy costs of each unit, expressed in cents per kilowatt hour. These costs shall be expressed in terms of individual generating units and of individual planned firm purchases.

(c) *Special rule for small electric utilities.* (1) Each electric utility (other than any electric utility to which paragraph (b) of this section applies) shall, upon request:

(i) Provide comparable data to that required under paragraph (b) of this section to enable qualifying facilities to estimate the electric utility's avoided costs for periods described in paragraph (b) of this section; or

(ii) With regard to an electric utility which is legally obligated to obtain all its requirements for electric energy and capacity from another electric utility, provide the data of its supplying utility and the rates at which it currently purchases such energy and capacity.

(2) If any such electric utility fails to provide such information on request, the qualifying facility may apply to the State regulatory authority (which has ratemaking authority over the

electric utility) or the Commission for an order requiring that the information be provided.

(d) *Substitution of alternative method.* (1) After public notice in the area served by the electric utility, and after opportunity for public comment, any State regulatory authority may require (with respect to any electric utility over which it has ratemaking authority), or any non-regulated electric utility may provide, data different than those which are otherwise required by this section if it determines that avoided costs can be derived from such data.

(2) Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated utility which requires such different data shall notify the Commission within 30 days of making such determination.

(e) *State Review.* (1) Any data submitted by an electric utility under this section shall be subject to review by the State regulatory authority which has ratemaking authority over such electric utility.

(2) In any such review, the electric utility has the burden of coming forward with justification for its data.

[45 FR 12234, Feb. 25, 1980; 45 FR 24126, Apr. 9, 1980]

§ 292.303 Electric utility obligations under this subpart.

(a) *Obligation to purchase from qualifying facilities.* Each electric utility shall purchase, in accordance with § 292.304, any energy and capacity which is made available from a qualifying facility:

(1) Directly to the electric utility; or

(2) Indirectly to the electric utility in accordance with paragraph (d) of this section.

(b) *Obligation to sell to qualifying facilities.* Each electric utility shall sell to any qualifying facility, in accordance with § 292.305, any energy and capacity requested by the qualifying facility.

(c) *Obligation to interconnect.* (1) Subject to paragraph (c)(2) of this section, any electric utility shall make such interconnections with any qualifying facility as may be necessary to accomplish purchases or sales under this subpart. The obligation to pay for any interconnection costs shall be determined in accordance with § 292.306.

(2) No electric utility is required to interconnect with any qualifying facility if, solely by reason of purchases or sales over the interconnection, the electric utility would become subject to regulation as a public utility under Part II of the Federal Power Act.

(d) *Transmission to other electric utilities.* If a qualifying facility agrees, an electric utility which would otherwise be obligated to purchase energy or capacity from such qualifying facility may transmit the energy or capacity to any other electric utility. Any electric utility to which such energy or capacity is transmitted shall purchase such energy or capacity under this subpart as if the qualifying facility were supplying energy or capacity directly to such electric utility. The rate for purchase by the electric utility to which such energy is transmitted shall be adjusted up or down to reflect line losses pursuant to § 292.304(e)(4) and shall not include any charges for transmission

(e) *Parallel operation.* Each electric utility shall offer to operate in parallel with a qualifying facility, provided that the qualifying facility complies with any applicable standards established in accordance with § 292.308.

§ 292.304 Rates for purchases.

(a) *Rates for purchases.* (1) Rates for purchases shall:

(i) Be just and reasonable to the electric consumer of the electric utility and in the public interest; and

(ii) Not discriminate against qualifying cogeneration and small power production facilities.

(2) Nothing in this subpart requires any electric utility to pay more than the avoided costs for purchases.

(b) *Relationship to avoided costs.* (1) For purposes of this paragraph, "new capacity" means any purchase from capacity of a qualifying facility, construction of which was commenced on or after November 9, 1978.

(2) Subject to paragraph (b)(3) of this section, a rate for purchases satisfies the requirements of paragraph (a) of this section if the rate equals the

avoided costs determined after consideration of the factors set forth in paragraph (e) of this section

(3) A rate for purchases (other than from new capacity) may be less than the avoided cost if the State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or the nonregulated electric utility determines that a lower rate is consistent with paragraph (a) of this section, and is sufficient to encourage cogeneration and small power production.

(4) Rates for purchases from new capacity shall be in accordance with paragraph (b)(2) of this section, regardless of whether the electric utility making such purchases is simultaneously making sales to the qualifying facility.

(5) In the case in which the rates for purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation, the rates for such purchases do not violate this subpart if the rates for such purchases differ from avoided costs at the time of delivery.

(c) *Standard rates for purchases.* (1) There shall be put into effect (with respect to each electric utility) standard rates for purchases from qualifying facilities with a design capacity of 100 kilowatts or less.

(2) There may be put into effect standard rates for purchases from qualifying facilities with a design capacity of more than 100 kilowatts.

(3) The standard rates for purchases under this paragraph:

(i) Shall be consistent with paragraphs (a) and (e) of this section; and

(ii) May differentiate among qualifying facilities using various technologies on the basis of the supply characteristics of the different technologies.

(d) *Purchases "as available" or pursuant to a legally enforceable obligation.* Each qualifying facility shall have the option either:

(1) To provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery; or

(2) To provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a specified term, in which case the rates for such purchases shall, at the option of the qualifying facility exercised prior to the beginning of the specified term, be based on either:

(i) The avoided costs calculated at the time of delivery; or

(ii) The avoided costs calculated at the time the obligation is incurred.

(e) *Factors affecting rates for purchases.* In determining avoided costs, the following factors shall, to the extent practicable, be taken into account:

(1) The data provided pursuant to § 292.302(b), (c), or (d), including State review of any such data;

(2) The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods, including:

(i) The ability of the utility to dispatch the qualifying facility;

(ii) The expected or demonstrated reliability of the qualifying facility;

(iii) The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;

(iv) The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities;

(v) The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;

(vi) The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and

(vii) The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities; and

(3) The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (e)(2) of this section, to the ability of the electric utility to avoid costs, including the deferral of capacity ad-

ditions and the reduction of fossil fuel use; and

(4) The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.

(f) *Periods during which purchases not required.* (1) Any electric utility which gives notice pursuant to paragraph (f)(2) of this section will not be required to purchase electric energy or capacity during any period during which, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, but instead generated an equivalent amount of energy itself.

(2) Any electric utility seeking to invoke paragraph (f)(1) of this section must notify, in accordance with applicable State law or regulation, each affected qualifying facility in time for the qualifying facility to cease the delivery of energy or capacity to the electric utility.

(3) Any electric utility which fails to comply with the provisions of paragraph (f)(2) of this section will be required to pay the same rate for such purchase of energy or capacity as would be required had the period described in paragraph (f)(1) of this section not occurred.

(4) A claim by an electric utility that such a period has occurred or will occur is subject to such verification by its State regulatory authority as the State regulatory authority determines necessary or appropriate, either before or after the occurrence.

§ 292.305 Rates for sales.

(a) *General rules.* (1) Rates for sales:

(i) Shall be just and reasonable and in the public interest; and

(ii) Shall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility.

(2) Rates for sales which are based on accurate data and consistent systemwide costing principles shall not be considered to discriminate against any qualifying facility to the extent that such rates apply to the utility's other customers with similar load or other cost-related characteristics.

(b) *Additional Services to be Provided to Qualifying Facilities.* (1) Upon request of a qualifying facility, each electric utility shall provide:

(i) Supplementary power;

(ii) Back-up power;

(iii) Maintenance power; and

(iv) Interruptible power.

(2) The State regulatory authority (with respect to any electric utility over which it has ratemaking authority) and the Commission (with respect to any nonregulated electric utility) may waive any requirement of paragraph (b)(1) of this section if, after notice in the area served by the electric utility and after opportunity for public comment, the electric utility demonstrates and the State regulatory authority or the Commission, as the case may be, finds that compliance with such requirement will:

(i) Impair the electric utility's ability to render adequate service to its customers; or

(ii) Place an undue burden on the electric utility.

(c) *Rates for sales of back-up and maintenance power.* The rate for sales of back-up power or maintenance power:

(1) Shall not be based upon an assumption (unless supported by factual data) that forced outages or other reductions in electric output by all qualifying facilities on an electric utility's system will occur simultaneously, or during the system peak, or both; and

(2) Shall take into account the extent to which scheduled outages of the qualifying facilities can be usefully coordinated with scheduled outages of the utility's facilities.

§ 292.306 Interconnection costs.

(a) *Obligation to pay.* Each qualifying facility shall be obligated to pay any interconnection costs which the State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may assess against the qualifying facility on a

nondiscriminatory basis with respect to other customers with similar load characteristics.

(b) *Reimbursement of interconnection costs.* Each State regulatory authority (with respect to any electric utility over which it has ratemaking authority) and nonregulated utility shall determine the manner for payments of interconnection costs, which may include reimbursement over a reasonable period of time.

§ 292.307 System emergencies.

(a) *Qualifying facility obligation to provide power during system emergencies.* A qualifying facility shall be required to provide energy or capacity to an electric utility during a system emergency only to the extent:

(1) Provided by agreement between such qualifying facility and electric utility; or

(2) Ordered under section 202(c) of the Federal Power Act.

(b) *Discontinuance of purchases and sales during system emergencies.* During any system emergency, an electric utility may discontinue:

(1) Purchases from a qualifying facility if such purchases would contribute to such emergency; and

(2) Sales to a qualifying facility, provided that such discontinuance is on a nondiscriminatory basis.

§ 292.308 Standards for operating reliability.

Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may establish reasonable standards to ensure system safety and reliability of interconnected operations. Such standards may be recommended by any electric utility, any qualifying facility, or any other person. If any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility establishes such standards, it shall specify the need for such standards on the basis of system safety and reliability.

Subpart D—Implementation

AUTHORITY: Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.*, Federal Power Act, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267.

SOURCE: 45 FR 12236, Feb. 25, 1980, unless otherwise noted.

§ 292.401 Implementation by State regulatory authorities and nonregulated electric utilities.

(a) *State regulatory authorities.* Not later than one year after these rules take effect, each State regulatory authority shall, after notice and an opportunity for public hearing, commence implementation of Subpart C (other than § 292.302 thereof). Such implementation may consist of the issuance of regulations, an undertaking to resolve disputes between qualifying facilities and electric utilities arising under Subpart C, or any other action reasonably designed to implement such subpart (other than § 292.302 thereof).

(b) *Nonregulated electric utilities.* Not later than one year after these rules take effect, each nonregulated electric utility shall, after notice and an opportunity for public hearing, commence implementation of Subpart C (other than § 292.302 thereof). Such implementation may consist of the issuance of regulations, an undertaking to comply with Subpart C, or any other action reasonably designed to implement such subpart (other than § 292.302 thereof).

(c) *Reporting requirement.* Not later than one year after these rules take effect, each State regulatory authority and nonreguated electric utility shall file with the Commission a report describing the manner in which it will implement Subpart C (other than § 292.302 thereof).

§ 292.402 Implementation of certain reporting requirements.

Any electric utility which fails to comply with the requirements of § 292.302(b) shall be subject to the same penalties to which it may be sub-

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jected for failure to comply with the requirements of the Commission's regulations issued under section 133 of PURPA.

§ 292.103 Waivers.

(a) *State regulatory authority and nonregulated electric utility waivers.* Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may, after public notice in the area served by the electric utility, apply for a waiver from the application of any of the requirements of Subpart C (other than § 292.302 thereof).

(b) *Commission action.* The Commission will grant such a wavier only if an applicant under paragraph (a) of this section demonstrates that compliance with any of the requirements of Subpart C is not necessary to encourage cogeneration and small power production and is not otherwise required under section 210 of PURPA.

Subpart E—Qualification of Cogeneration Facilities for Incremental Pricing Exemption

AUTHORITY: Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617; Natural Gas Policy Act of 1978, Pub. L. 95-621; Department of Energy Organization Act, Pub. L. 95-91; E.O. 12009, 42 FR 46267; Pub. L. 96-511, 94 Stat. 2812 (44 U.S.C. 3501 *et seq.*), unless otherwise noted.

SOURCE: 44 FR 65746, Nov. 15, 1979, unless otherwise noted.

§ 292.501 Scope.

This subpart defines qualifying cogeneration facilities for the sole purpose of establishing an interim exemption from incremental pricing under the Natural Gas Policy Act of 1978.

§ 292.502 Qualifying requirements for cogeneration facilities.

(a) *Definition of qualifying cogeneration facility.* For purposes of Title II of the Natural Gas Policy Act of 1978 (NGPA), and Subpart B of Part 282 of the Commission's rules, the term "qualifying cogeneration facility" means a cogeneration facility which:

(1) Was in existence on November 1, 1979;

(2) Used natural gas as a fuel on or prior to that date;

(3) Produces electric energy and another form of useful energy (such as heat or steam), used for industrial, commercial, heating or cooling purposes, through the sequential use of energy; and

(4) Meets the efficiency standards set forth in this section.

(b) *Definitions.* For purposes of this subpart:

(1) "Cogeneration facility" means equipment used to produce electric energy and another form of useful energy (such as heat or steam), used for industrial, commercial heating or cooling purposes, through the sequential use of energy;

(2) "Useful thermal energy output" of a cogeneration facility means the heat made available for use in an industrial process or for use as space or water heating;

(3) "Useful power output" of a cogeneration facility means the electrical or mechanical energy made available for use, exclusive of any used solely in the power production process;

(4) "Total energy input" means the total energy of all forms supplied from external sources to the cogeneration facility. In the case of energy in the form of fossil fuel, the energy input is to be measured by the lower heating value of such fuel;

(5) "Working fluid energy input" to a cogeneration facility means the enthalpy of steam leaving a boiler minus that of the feed water, when the steam is subsequently used in a topping cycle;

(6) "Overall energy efficiency" means the ratio of the sum of all useful thermal and power outputs to the total energy input of the cogeneration facility, measured by means of actual data or estimates. Any energy used exclusively in the thermal process of a topping-cycle (supplementary firing) facility shall not be included as energy output or energy input for the purpose of determining the cogeneration facility's overall energy efficiency;

(7) "Internal energy efficiency" means the ratio of the sum of all useful thermal and power outputs to the working fluid energy input, measured by means of actual data or esti-

mates. Any energy used exclusively in the thermal process of a topping-cycle (supplementary firing) facility shall not be included as energy output or energy input for the purpose of determining the cogeneration facility's internal energy efficiency;

(8) A "topping-cycle cogeneration facility" means a cogeneration facility in which the energy input to the facility is first used to produce power, and the waste heat from power production is then used to provide useful heat;

(9) A "bottoming-cycle cogeneration facility" means a cogeneration facility in which the energy input to the system is first applied to a useful heating process, and the residual heat emerging from the process is used then for power production; and

(10) "Supplementary firing" means natural gas used only in the thermal process of a topping-cycle cogeneration facility, or only in the electric generating process of a bottoming-cycle cogeneration facility.

(c) *Efficiency standards for topping-cycle facilities.* For topping-cycle cogeneration facilities using natural gas, with or without any other fuels, the following efficiency standard applies:

(1) The facility's overall energy efficiency must be not less than 0.55, or

(2) The internal energy efficiency of the facility must be not less than 0.70.

(d) *Efficiency standards for bottoming-cycle facilities.* For bottoming-cycle cogeneration facilities, there is no efficiency standard for qualification.

(e) *Eligibility.* In order to obtain qualifying status under the interim rule, a cogeneration facility must:

(1) Have been in existence on November 1, 1979, and

(2) Have used natural gas as an energy input on or prior to November 1, 1979.

(f) *Waiver.* The Commission may waive any of the provisions of this subpart if it determines that such waiver is neccessary to encourage cogeneration.

(g) *Limitations of benefits of interim qualification.* Obtaining qualifying status for purpose of this interim rule does not:

(1) Constitute qualifying status for purposes of section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), or

(2) Assure that a facility will be a qualifying facility under the Commission's final rules implementing section 201 of PURPA or Title II of the NGPA.

§ 292.503 Procedures for obtaining qualifying status.

(a) In order to be a qualifying facility for purposes of exemption from incremental pricing, a facility must meet the standards set forth in § 292.502.

(b) If a cogeneration facility meets the standards set forth in § 292.502, the owner or operator of the facility may file an executed exemption affidavit that the facility is a qualifying cogeneration facility, pursuant to the procedures set forth in § 282.204 of the Commission's rules.

Subpart F—Exemption of Qualifying Small Power Production Facilities and Cogeneration Facilities from Certain Federal and State Laws and Regulations

§ 292.601 Exemption to qualifying facilities from the Federal Power Act.

(a) *Applicability.* This section applies to qualifying facilities, other than those described in paragraph (b) of this section.

(b) *Exclusion.* This section does not apply to a qualifying small power production facility with a power production capacity which exceeds 30 megawatts, if such facility uses any primary energy source other than geothermal resources.

(c) *General rule.* Any qualifying facility described in paragraph (a) of this section shall be exempt from all sections of the Federal Power Act, except:

(1) Section 1-18, and 21-30;

(2) Sections 202(c), 210, 211, and 212;

(3) Sections 305(c); and

(4) Any necessary enforcement provision of Part III with regard to the sections listed in paragraphs (c)(1), (2) and (3) of this section.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordi-

nation Act, 15 U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[Order 135, 46 FR 19232, Mar. 30, 1981]

§ 292.602 Exemption to qualifying facilities from the Public Utility Holding Company Act and certain State law and regulation.

(a) *Applicability.* This section applies to any qualifying facility described in § 292.601(a), and to any qualifying small power production facility with a power production capacity over 30 megawatts if such facility produces electric energy solely by the use of biomass as a primary energy source.

(b) *Exemption from the Public Utility Holding Company Act of 1935.* A qualifying facility described in paragraph (a) of this section or a utility geothermal small power production facility shall not be considered to be an "electric utility company" as defined in section 2(a)(3) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(3).

(c) *Exemption from certain State law and regulation.* (1) Any qualifying facility shall be exempted (except as provided in paragraph (c)(2)) of this section from State law or regulation respecting:

(i) The rates of electric utilities; and

(ii) The financial and organizational regulation of electric utilities.

(2) A qualifying facility may not be exempted from State law and regulation implementing Subpart C.

(3) Upon request of a State regulatory authority or nonregulated electric utility, the Commission may consider a limitation on the exemptions specified in paragraph (c)(1) of this section.

(4) Upon request of any person, the Commission may determine whether a qualifying facility is exempt from a particular State law or regulation.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[45 FR 12237, Feb. 25, 1980, as amended by Order 135, 46 FR 19232, Mar. 30, 1981]

PART 294—INTERIM PROCEDURES FOR SHORTAGES OF ELECTRIC ENERGY AND CAPACITY UNDER SECTION 206 OF THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978

§ 294.101 Shortages of electric energy and capacity.

(a) *Definition of shortages of electric energy and capacity.* For purposes of this section, the term "anticipated shortages of electric or energy" means:

(1) Any situation anticipated to occur prior to April 30, 1983, in which the generating and bulk purchased power capability of a public utility will not be sufficient to meet its anticipated demand plus appropriate reserve margins and this shortage would affect the utility's capability adequately to supply electric services to its firm power wholesale customers; or

(2) Any situation anticipated to occur prior to April 30, 1983, in which the energy supply capability of a public utility is not sufficient to meet its customers' energy requirements and this shortage would affect the utility's capability adequately to supply electric services to its firm power wholesale customers.

(b) *Accommodation of shortages.* (1) Each public utility now serving firm power wholesale customers, shall, by July 23, 1979, submit a brief statement indicating how it would accommodate any shortages of electric energy or capacity affecting its firm power wholesale customers, if such shortages were to occur prior to September 30, 1979.

(2) This statement shall:

(i) Describe how the utility would assure that direct and indirect customers are treated without undue prejudice or disadvantage; and

(ii) It shall also identify any agreement, law, or regulation which might impair the utility's ability to accommodate such a shortage.

(3) Each utility shall file a copy of its statement with any appropriate State regulatory agency and all firm power wholesale customers.

(4) If prior to April 30, 1983, a plan for accommodating any shortages of electric energy or capacity affecting its firm power wholesale customers as de-

scribed in the brief statement submitted pursuant to paragraph (b)(1) of this section is modified, the utility must submit to the Commission and the persons described in paragraph (b)(3) of this section within 15 days of any such modification, a supplemental statement informing the Commission of those modifications.

(c) *Reporting requirements.* Each public utility shall immediately report to the Commission, to any State regulatory authority and to firm power wholesale customers, any anticipated shortage of electric energy or capacity. The report shall include the following information:

(1) The nature and projected duration of the anticipated capacity or energy supply shortage;

(2) A list showing all firm power wholesale customers affected or likely to be affected by the anticipated shortage;

(3) Procedures for accommodating the shortage, if different from those described in paragraph (b) of this section;

(4) An estimate of the effects (reduced power and energy usage) of use of these procedures upon the utility's wholesale and retail customers; and

(5) The name, title, address and telephone number of an officer or employee of the utility who may be contacted for further information regarding the shortage and planned actions of the utility.

(The reporting requirements contained in this section are not subject to OMB approval under section 3507 of the Paperwork Reduction Act, 44 U.S.C. 3501-3520.)

(Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617, 92 Stat. 3117; Federal Power Act, 16 U.S.C. 792 *et seq.*; Department of Energy Organization Act, 42 U.S.C. 7107 *et seq.*; E.O. 12009, 42 FR 46267; Administrative Procedure Act, 5 U.S.C. 553)

[44 FR 37502, June 27, 1979, as amended at 44 FR 61954, Oct. 29, 1979; 45 FR 23684, Apr. 8, 1980; 46 FR 24551, May 1, 1981; 47 FR 20296, May 12, 1982]

of actions under this paragraph without regard to the amount in controversy. Nothing in this paragraph shall authorize any person to recover damages.

PART 292—REGULATIONS UNDER SECTIONS 201 AND 210 OF THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978 WITH REGARD TO SMALL POWER PRODUCTION AND COGENERATION

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292.602 Exemption to qualifying facilities from the Public Utility Holding Company Act and certain State law and regulation.

OMB CONTROL No. 1902-0075. (47 FR 614, Jan. 6, 1982)

Subpart A—General Provisions

§ 292.101 Definitions.

(a) *General rule.* Terms defined in the Public Utility Regulatory Policies Act of 1978 (PURPA) shall have the same meaning for purposes of this part as they have under PURPA, unless further defined in this part.

(b) *Definitions.* The following definitions apply for purposes of this part.

(1) "Qualifying facility" means a cogeneration facility or a small power production facility which is a qualifying facility under Subpart B of this part of the Commission's regulations.

(2) "Purchase" means the purchase of electric energy or capacity or both from a qualifying facility by an electric utility.

(3) "Sale" means the sale of electric energy or capacity or both by an electric utility to a qualifying facility.

(4) "System emergency" means a condition on a utility's system which is likely to result in imminent significant disruption of service to customers or is imminently likely to endanger life or property.

(5) "Rate" means any price, rate, charge, or classification made, demanded, observed or received with respect to the sale or purchase of electric energy or capacity, or any rule, regulation, or practice respecting any such rate, charge, or classification, and any contract pertaining to the sale or purchase of electric energy or capacity.

(6) "Avoided costs" means the incremental costs to an electric utility of electric energy or capacity or both which, but for the purchase from the qualifying facility or qualifying facilities, such utility would generate itself or purchase from another source.

(7) "Interconnection costs" means the reasonable costs of connection, switching, metering, transmission, distribution, safety provisions and administrative costs incurred by the electric utility directly related to the installation and maintenance of the physical facilities necessary to permit interconnected operations with a qualifying facility, to the extent such costs are in excess of the corresponding costs which the electric utility would have incurred if it had not engaged in interconnected operations, but instead generated an equivalent amount of electric energy itself or purchased an equivalent amount of electric energy or capacity from other sources. Interconnection costs do not include any costs included in the calculation of avoided costs.

(8) "Supplementary power" means electric energy or capacity supplied by an electric utility, regularly used by a qualifying facility in addition to that which the facility generates itself.

(9) "Back-up power" means electric energy or capacity supplied by an electric utility to replace energy ordinarily generated by a facility's own generation equipment during an unscheduled outage of the facility.

(10) "Interruptible power" means electric energy or capacity supplied by an electric utility subject to interruption by the electric utility under specified conditions.

(11) "Maintenance power" means electric energy or capacity supplied by an electric utility during scheduled outages of the qualifying facility.

(Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.* Federal Power Act, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267)

[45 FR 12233, Feb. 25, 1980]

Subpart B—Qualifying Cogeneration and Small Power Production Facilities

AUTHORITY: Public Utility Regulatory Policies Act of 1978, (16 U.S.C. 2601, *et seq.*), Energy Supply and Environmental Coordination Act, (15 U.S.C. 791 *et seq.*), Federal Power Act, as amended, (16 U.S.C. 792, *et seq.*), Department of Energy Organization Act, (42 U.S.C. 7101 *et seq.*), E.O. 12009, 42 FR 46267, Natural Gas Policy Act of 1978, (15 U.S.C. 3301, *et seq.*), unless otherwise noted.

§ 292.201 Scope.

This subpart applies to the criteria for and manner of becoming a qualifying small power production facility and a qualifying cogeneration facility under sections 3(17)(C) and 3(18)(B), respectively, of the Federal Power Act, as amended by section 201 of the Public Utility Regulatory Policies Act of 1978 (PURPA).

[45 FR 17972, Mar. 20, 1980]

§ 292.202 Definitions.

For purposes of this subpart:

(a) "Biomass" means any organic material not derived from fossil fuels;

(b) "Waste" means by-product materials other than biomass;

(c) "Cogeneration facility" means equipment used to produce electric energy and forms of useful thermal energy (such as heat or steam), used for industrial, commercial, heating, or cooling purposes, through the sequential use of energy;

(d) "Topping-cycle cogeneration facility" means a cogeneration facility in which the energy input to the facility is first used to produce useful power output, and the reject heat from power production is then used to provide useful thermal energy;

(e) "Bottoming-cycle cogeneration facility" means a cogeneration facility in which the energy input to the system is first applied to a useful thermal energy process, and the reject heat emerging from the process is then used for power production;

(f) "Supplementary firing" means an energy input to the cogeneration facility used only in the thermal process of a topping-cycle cogeneration facility, or only in the electric generating

process of a bottoming-cycle cogeneration facility;

(g) "Useful power output" of a cogeneration facility means the electric or mechanical energy made available for use, exclusive of any such energy used in the power production process;

(h) "Useful thermal energy output" of a topping-cycle cogeneration facility means the thermal energy made available for use in any industrial or commercial process, or used in any heating or cooling application;

(i) "Total energy output" of a topping-cycle cogeneration facility is the sum of the useful power output and useful thermal energy output;

(j) "Total energy input" means the total energy of all forms supplied from external sources;

(k) "Natural gas" means either natural gas unmixed, or any mixture of natural gas and artificial gas;

(l) "Oil" means crude oil, residual fuel oil, natural gas liquids, or any refined petroleum products; and

(m) Energy input in the case of energy in the form of natural gas or oil is to be measured by the lower heating value of the natural gas or oil.

(n) "Electric utility holding company" means a holding company, as defined in section 2(a)(7) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(7) which owns one or more electric utilities, as defined in section 2(a)(3) of that Act, 15 U.S.C 79b(a)(3), but does not include any holding company which is exempt by rule or order adopted or issued pursuant to sections 3(a)(3) or 3(a)(5) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79c(a)(3) or 79c(a)(5).

(o) "Utility geothermal small power production facility" means a small power production facility which uses geothermal energy as the primary energy resource and of which more than 50 percent is owned either:

(1) By an electric utility or utilities, electric utility holding company or companies, or any combination thereof,

(2) By any company 50 percent or more of the outstanding voting securities of which of which are directly or indirectly owned, controlled, or held with power to vote by an electric utility, electric utility holding company, or any combination thereof.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267)

[45 FR 17972, Mar. 20, 1980, as amended at 45 FR 33958, May 21, 1980; 45 FR 66789, Oct. 8, 1980; Order 135, 46 FR 19231, Mar. 30, 1981; 46 FR 32239, June 22, 1981]

§ 292.203 General requirements for qualification.

(a) *Small power production facilities.* A small power production facility is a qualifying facility if it:

(1) Meets the maximum size criteria specified in § 292.204(a);

(2) Meets the fuel use criteria specified in § 292.204(b); and

(3) Meets the ownership criteria specified in § 292.206.

(b) *Cogeneration facilities.* (1) A cogeneration facility, including any diesel and dual-fuel cogeneration facility, is a qualifying facility if it:

(i) Meets any applicable operating and efficiency standards specified in § 292.205 (a) and (b); and

(ii) Meets the ownership criteria specified in § 292.206.

(2) For purposes of qualification of a cogeneration facility for exemption from incremental pricing, a cogeneration facility must qualify under § 292.205(c).

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-E, 46 FR 33027, June 26, 1981]

§ 292.204 Criteria for qualifying small power production facilities.

(a) *Size of the facility*—(1) *Maximum size.* The power production capacity of the facility for which qualification is sought, together with the capacity of any other facilities which use the same energy resource, are owned by the same person, and are located at the same site, may not exceed 80 megawatts.

(2) *Method of calculation.* (i) For purposes of this paragraph, facilities are considered to be located at the same site as the facility for which qualification is sought if they are lo-

cated within one mile of the facility for which qualification is sought and, for hydroelectric facilities, if they use water from the same impoundment for power generation.

(ii) For purposes of making the determination in clause (i), the distance between facilities shall be measured from the electrical generating equipment of a facility.

(3) *Waiver.* The Commission may modify the application of paragraph (a)(2) of this section, for good cause.

(b) *Fuel use.* (1) (i) The primary energy source of the facility must be biomass, waste, renewable resources, geothermal resources, or any combination thereof, and 75 percent or more of the total energy input must be from these sources.

(ii) Any primary energy source which, on the basis of its energy content, is 50 percent or more biomass shall be considered biomass.

(2) Use of oil, natural gas, and coal by a facility may not, in the aggregate, exceed 25 percent of the total energy input of the facility during any calendar year period.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15, U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[45 FR 17972, Mar. 20, 1980, as amended by Order 135, 46 FR 19231, Mar. 30, 1981]

§ 292.205 Criteria for qualifying cogeneration facilities.

(a) *Operating and efficiency standards for topping-cycle facilities*—(1) *Operating standard.* For any topping-cycle cogeneration facility, the useful thermal energy output of the facility must, during any calendar year period, be no less than 5 percent of the total energy output.

(2) *Efficiency standard.* (i) For any topping-cycle cogeneration facility for which any of the energy input is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility plus one-half the useful thermal energy output, during any calendar year period, must:

(A) Subject to paragraph (a)(2)(i)(B) of this section be no less than 42.5 percent of the total energy input of natural gas and oil to the facility; or

(B) If the useful thermal energy output is less than 15 percent of the total energy output of the facility, be no less than 45 percent of the total energy input of natural gas and oil to the facility.

(ii) For any topping-cycle cogeneration facility not subject to paragraph (a)(2)(i) of this section there is no efficiency standard.

(b) *Efficiency standards for bottoming-cycle facilities.* (1) For any bottoming-cycle cogeneration facility for which any of the energy input as supplementary firing is natural gas or oil, and the installation of which began on or after March 13, 1980, the useful power output of the facility must, during any calendar year period, be no less than 45 percent of the energy input of natural gas and oil for supplementary firing.

(2) For any bottoming-cycle cogeneration facility not covered by paragraph (b)(1) of this section, there is no efficiency standard.

(c) *Exemption from incremental pricing.* (1) Natural gas used in any topping-cycle cogeneration facility is eligible for an exemption from incremental pricing under Title II of the Natural Gas Policy Act of 1978 (NGPA) and Part 282 of the Commission's rules if:

(i) The facility meets the operating and efficiency standards under paragraphs (a)(1) and (2)(i) of this section and is a qualifying facility under § 292.203(b)(1); or

(ii) The facility is a qualifying facility under Subpart E of this part.

(2) Natural gas used in any bottoming-cycle cogeneration facility, not subject to an exemption from incremental pricing under Subpart E of this part, is eligible for an exemption under Title II of the NGPA and Part 282 of the Commission's rules to the extent that reject heat emerging from the useful thermal energy process is made available for use for power production.

(3) Nothing in this subpart affects any exemption provided under Subpart E of this part.

(4) Natural gas used for supplementary firing in any cogeneration facility is not eligible under this part for exemption from incremental pricing.

(d) *Waiver.* The Commission may waive any of the requirements of paragraphs (a), (b) and (c) of this section upon a showing that the facility will produce significant energy savings.

[45 FR 17972, Mar. 20, 1980]

§ 292.206 Ownership criteria.

(a) *General rule.* A cogeneration facility or small power production facility may not be owned by a person primarily engaged in the generation or sale of electric power (other than electric power solely from cogeneration facilities or small power production facilities).

(b) *Ownership test.* For purposes of this section, a cogeneration or small power production facility shall be considered to be owned by a person primarily engaged in the generation or sale of electric power, if more than 50 percent of the equity interest in the facility is held by an electric utility or utilities, or by an electric utility holding company, or companies, or any combination thereof. If a wholly or partially owned subsidiary of an electric utility or electric utility holding company has an ownership interest of a facility, the subsidiary's ownership interest shall be considered as ownership by an electric utility or electric utility holding company.

(c) *Exceptions.* For purposes of this section a company shall not be considered to be an "electric utility" company if it:

(1) Is a subsidiary of an electric utility holding company which is exempt by rule or order adopted or issued pursuant to section 3(a)(3) or 3(a)(5) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79c(a)(3), 79c(a)(5); or

(2) Is declared not to be an electric utility company by rule or order of the Securities and Exchange Commission pursuant to section 2(a)(3)(A) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(3)(A).

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-B, 45 FR 52780, Aug. 8, 1980; Order 70-D, 46 FR 11253, Feb. 6, 1981]

§ 292.207 Procedures for obtaining qualifying status.

(a) *Qualification.* (1) A small power production facility or cogeneration facility which meets the criteria for qualification set forth in § 292.203 is a qualifying facility.

(2) The owner or operator of any facility qualifying under this paragraph shall furnish notice to the Commission providing the information set forth in paragraphs (b)(2) (i) through (iv) of this section.

(b) *Optional procedure*—(1) *Application for Commission certification.* Pursuant to the provisions of this paragraph, the owner or operator of the facility may file with this Commission an application for Commission certification that the facility is a qualifying facility.

(2) *General contents of application.* The application shall contain the following information:

(i) The name and address of the applicant and location of the facility;

(ii) A brief description of the facility, including a statement indicating whether such facility is a small power production facility or a cogeneration facility;

(iii) The primary energy source used or to be used by the facility;

(iv) The power production capacity of the facility; and

(v) The percentage of ownership by any electric utility or by any electric utility holding company, or by any person owned by either.

(3) *Additional application requirements for small power production facilities.* An application by a small power producer for Commission certification shall contain the following additional information:

(i) The location of the facility in relation to any other small power production facilities located within one mile of the facility, owned by the applicant which use the same energy source; and

(ii) Information identifying any planned usage of natural gas, oil or coal.

(4) *Additional application requirements for cogeneration facilities.* An application by a cogenerator for Com-

mission certification shall contain the following additional information:

(i) A description of the cogeneration system, including whether the facility is a topping or bottoming cycle and sufficient information to determine that any applicable requirements under § 292.205 will be met; and

(ii) The date installation of the facility began or will begin.

(5) *Commission action.* Within 90 days of the filing of an application, the Commission shall issue an order granting or denying the application, tolling the time for issuance of an order, or setting the matter for hearing. Any order denying certification shall identify the specific requirements which were not met. If no order is issued within 90 days of the filing of the complete application, it shall be deemed to have been granted.

(6) *Notice.* (i) Applications for certification filed under this paragraph shall include a copy of a notice of the request for certification for publication in the FEDERAL REGISTER. The notice shall state the applicant's name, the date of the application, and a brief description of the facility for which qualification is sought. This description shall include:

(A) A statement indicating whether such facility is a small power production facility or a cogeneration facility;

(B) The primary energy source used or to be used by the facility;

(C) The power production capacity of the facility; and

(D) The location of the facility.

(ii) The notice shall be in the following form:

(Name of Applicant)
Docket No. QF-

NOTICE OF APPLICATION FOR COMMISSION CERTIFICATION OF QUALIFYING STATUS OF A (SMALL POWER PRODUCTION) (COGENERATION) FACILITY

On (date application was filed), (name and address of applicant) filed with the Federal Energy Regulatory Commission an application to be certified as a qualifying (small power production) (cogeneration) facility pursuant to § 292.207 of the Commission's rules.

[Brief description of the facility].

Any person desiring to be heard or objecting to the granting of qualifying status should file a petiton to intervene or protest with the Federal Energy Regulatory Commission, 825 North Capitol Street, N.E., Washington, D.C. 20426, in accordance with §§385.209 and 385.214 of this chapter. All such petitions or protests must be filed within 30 days after the date of publication of this notice and must be served on the applicant. Protests will be considered by the Commission in determining the appropriate action to be taken but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a petition to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

(c) *Notice requirements for facilities of 500 kW or more.* An electric utility is not required to purchase electric energy from a facility with a design capacity of 500 kW or more until 90 days after the facility notifies the utility that it is a qualifying facility, or 90 days after the facility has applied to the Commission under paragraph (b) of this section.

(d) *Revocation of qualifying status.* (1) The Commission may revoke the qualifying status of a qualifying facility which has been certified under this section if such facility fails to comply with any of the statements contained in its application for Commission certification.

(2) Prior to undertaking any substantial alteration or modification of a qualifying facility which has been certified under this section, a small power producer or cogenerator may apply to the Commission for a determination that the proposed alteration or modification will not result in a revocation of qualifying status.

[45 FR 17972, Mar. 20, 1980, as amended by Order 70-A, 45 FR 33603, May 20, 1980; Order 70-B, 45 FR 52780, Aug. 8, 1980; Order 225, 47 FR 19058, May 3, 1982]

Subpart C—Arrangements Between Electric Utilities and Qualifying Cogeneration and Small Power Production Facilities Under Section 210 of the Public Utility Regulatory Policies Act of 1978

AUTHORITY: Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.* Federal Power Act, 16 U.S.C. 792 *et seq.*, Department

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SOURCE: 45 FR 12234, Feb. 25, 1980, unless otherwise noted.

§ 292.301 Scope.

(a) *Applicability.* This subpart applies to the regulation of sales and purchases between qualifying facilities and electric utilities.

(b) *Negotiated rates or terms.* Nothing in this subpart:

(1) Limits the authority of any electric utility or any qualifying facility to agree to a rate for any purchase, or terms or conditions relating to any purchase, which differ from the rate or terms or conditions which would otherwise be required by this subpart; or

(2) Affects the validity of any contract entered into between a qualifying facility and an electric utility for any purchase.

§ 292.302 Availability of electric utility system cost data.

(a) *Applicability.* (1) Except as provided in paragraph (a)(2) of this section, paragraph (b) applies to each electric utility, in any calendar year, if the total sales of electric energy by such utility for purposes other than resale exceeded 500 million kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding calendar year.

(2) Each utility having total sales of electric energy for purposes other than resale of less than one billion kilowatt-hours during any calendar year beginning after December 31, 1975, and before the immediately preceding year, shall not be subject to the provisions of this section until June 30, 1982.

(b) *General rule.* To make available data from which avoided costs may be derived, not later than November 1, 1980, June 30, 1982, and not less often than every two years thereafter, each regulated electric utility described in paragraph (a) of this section shall provide to its State regulatory authority, and shall maintain for public inspection, and each nonregulated electric utility described in paragraph (a) of this section shall maintain for public inspection, the following data:

(1) The estimated avoided cost on the electric utility's system, solely with respect to the energy component, for various levels of purchases from qualifying facilities. Such levels of purchases shall be stated in blocks of not more than 100 megawatts for systems with peak demand of 1000 megawatts or more, and in blocks equivalent to not more than 10 percent of the system peak demand for systems of less than 1000 megawatts. The avoided costs shall be stated on a cents per kilowatt-hour basis, during daily and seasonal peak and off-peak periods, by year, for the current calendar year and each of the next 5 years;

(2) The electric utility's plan for the addition of capacity by amount and type, for purchases of firm energy and capacity, and for capacity retirements for each year during the succeeding 10 years; and

(3) The estimated capacity costs at completion of the planned capacity additions and planned capacity firm purchases, on the basis of dollars per kilowatt, and the associated energy costs of each unit, expressed in cents per kilowatt hour. These costs shall be expressed in terms of individual generating units and of individual planned firm purchases.

(c) *Special rule for small electric utilities.* (1) Each electric utility (other than any electric utility to which paragraph (b) of this section applies) shall, upon request:

(i) Provide comparable data to that required under paragraph (b) of this section to enable qualifying facilities to estimate the electric utility's avoided costs for periods described in paragraph (b) of this section; or

(ii) With regard to an electric utility which is legally obligated to obtain all its requirements for electric energy and capacity from another electric utility, provide the data of its supplying utility and the rates at which it currently purchases such energy and capacity.

(2) If any such electric utility fails to provide such information on request, the qualifying facility may apply to the State regulatory authority (which has ratemaking authority over the

electric utility) or the Commission for an order requiring that the information be provided.

(d) *Substitution of alternative method.* (1) After public notice in the area served by the electric utility, and after opportunity for public comment, any State regulatory authority may require (with respect to any electric utility over which it has ratemaking authority), or any non-regulated electric utility may provide, data different than those which are otherwise required by this section if it determines that avoided costs can be derived from such data.

(2) Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated utility which requires such different data shall notify the Commission within 30 days of making such determination.

(e) *State Review.* (1) Any data submitted by an electric utility under this section shall be subject to review by the State regulatory authority which has ratemaking authority over such electric utility.

(2) In any such review, the electric utility has the burden of coming forward with justification for its data.

[45 FR 12234, Feb. 25, 1980; 45 FR 24126, Apr. 9, 1980]

§ 292.303 Electric utility obligations under this subpart.

(a) *Obligation to purchase from qualifying facilities.* Each electric utility shall purchase, in accordance with § 292.304, any energy and capacity which is made available from a qualifying facility:

(1) Directly to the electric utility; or

(2) Indirectly to the electric utility in accordance with paragraph (d) of this section.

(b) *Obligation to sell to qualifying facilities.* Each electric utility shall sell to any qualifying facility, in accordance with § 292.305, any energy and capacity requested by the qualifying facility.

(c) *Obligation to interconnect.* (1) Subject to paragraph (c)(2) of this section, any electric utility shall make such interconnections with any qualifying facility as may be necessary to accomplish purchases or sales under this subpart. The obligation to pay for any interconnection costs shall be determined in accordance with § 292.306.

(2) No electric utility is required to interconnect with any qualifying facility if, solely by reason of purchases or sales over the interconnection, the electric utility would become subject to regulation as a public utility under Part II of the Federal Power Act.

(d) *Transmission to other electric utilities.* If a qualifying facility agrees, an electric utility which would otherwise be obligated to purchase energy or capacity from such qualifying facility may transmit the energy or capacity to any other electric utility. Any electric utility to which such energy or capacity is transmitted shall purchase such energy or capacity under this subpart as if the qualifying facility were supplying energy or capacity directly to such electric utility. The rate for purchase by the electric utility to which such energy is transmitted shall be adjusted up or down to reflect line losses pursuant to § 292.304(e)(4) and shall not include any charges for transmission

(e) *Parallel operation.* Each electric utility shall offer to operate in parallel with a qualifying facility, provided that the qualifying facility complies with any applicable standards established in accordance with § 292.308.

§ 292.304 Rates for purchases.

(a) *Rates for purchases.* (1) Rates for purchases shall:

(i) Be just and reasonable to the electric consumer of the electric utility and in the public interest; and

(ii) Not discriminate against qualifying cogeneration and small power production facilities.

(2) Nothing in this subpart requires any electric utility to pay more than the avoided costs for purchases.

(b) *Relationship to avoided costs.* (1) For purposes of this paragraph, "new capacity" means any purchase from capacity of a qualifying facility, construction of which was commenced on or after November 9, 1978.

(2) Subject to paragraph (b)(3) of this section, a rate for purchases satisfies the requirements of paragraph (a) of this section if the rate equals the

avoided costs determined after consideration of the factors set forth in paragraph (e) of this section

(3) A rate for purchases (other than from new capacity) may be less than the avoided cost if the State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or the nonregulated electric utility determines that a lower rate is consistent with paragraph (a) of this section, and is sufficient to encourage cogeneration and small power production.

(4) Rates for purchases from new capacity shall be in accordance with paragraph (b)(2) of this section, regardless of whether the electric utility making such purchases is simultaneously making sales to the qualifying facility.

(5) In the case in which the rates for purchases are based upon estimates of avoided costs over the specific term of the contract or other legally enforceable obligation, the rates for such purchases do not violate this subpart if the rates for such purchases differ from avoided costs at the time of delivery.

(c) *Standard rates for purchases.* (1) There shall be put into effect (with respect to each electric utility) standard rates for purchases from qualifying facilities with a design capacity of 100 kilowatts or less.

(2) There may be put into effect standard rates for purchases from qualifying facilities with a design capacity of more than 100 kilowatts.

(3) The standard rates for purchases under this paragraph:

(i) Shall be consistent with paragraphs (a) and (e) of this section; and

(ii) May differentiate among qualifying facilities using various technologies on the basis of the supply characteristics of the different technologies.

(d) *Purchases "as available" or pursuant to a legally enforceable obligation.* Each qualifying facility shall have the option either:

(1) To provide energy as the qualifying facility determines such energy to be available for such purchases, in which case the rates for such purchases shall be based on the purchasing utility's avoided costs calculated at the time of delivery; or

(2) To provide energy or capacity pursuant to a legally enforceable obligation for the delivery of energy or capacity over a specified term, in which case the rates for such purchases shall, at the option of the qualifying facility exercised prior to the beginning of the specified term, be based on either:

(i) The avoided costs calculated at the time of delivery; or

(ii) The avoided costs calculated at the time the obligation is incurred.

(e) *Factors affecting rates for purchases.* In determining avoided costs, the following factors shall, to the extent practicable, be taken into account:

(1) The data provided pursuant to § 292.302(b), (c), or (d), including State review of any such data;

(2) The availability of capacity or energy from a qualifying facility during the system daily and seasonal peak periods, including:

(i) The ability of the utility to dispatch the qualifying facility;

(ii) The expected or demonstrated reliability of the qualifying facility;

(iii) The terms of any contract or other legally enforceable obligation, including the duration of the obligation, termination notice requirement and sanctions for non-compliance;

(iv) The extent to which scheduled outages of the qualifying facility can be usefully coordinated with scheduled outages of the utility's facilities;

(v) The usefulness of energy and capacity supplied from a qualifying facility during system emergencies, including its ability to separate its load from its generation;

(vi) The individual and aggregate value of energy and capacity from qualifying facilities on the electric utility's system; and

(vii) The smaller capacity increments and the shorter lead times available with additions of capacity from qualifying facilities; and

(3) The relationship of the availability of energy or capacity from the qualifying facility as derived in paragraph (e)(2) of this section, to the ability of the electric utility to avoid costs, including the deferral of capacity ad-

ditions and the reduction of fossil fuel use; and

(4) The costs or savings resulting from variations in line losses from those that would have existed in the absence of purchases from a qualifying facility, if the purchasing electric utility generated an equivalent amount of energy itself or purchased an equivalent amount of electric energy or capacity.

(f) *Periods during which purchases not required.* (1) Any electric utility which gives notice pursuant to paragraph (f)(2) of this section will not be required to purchase electric energy or capacity during any period during which, due to operational circumstances, purchases from qualifying facilities will result in costs greater than those which the utility would incur if it did not make such purchases, but instead generated an equivalent amount of energy itself.

(2) Any electric utility seeking to invoke paragraph (f)(1) of this section must notify, in accordance with applicable State law or regulation, each affected qualifying facility in time for the qualifying facility to cease the delivery of energy or capacity to the electric utility.

(3) Any electric utility which fails to comply with the provisions of paragraph (f)(2) of this section will be required to pay the same rate for such purchase of energy or capacity as would be required had the period described in paragraph (f)(1) of this section not occurred.

(4) A claim by an electric utility that such a period has occurred or will occur is subject to such verification by its State regulatory authority as the State regulatory authority determines necessary or appropriate, either before or after the occurrence.

§ 292.305 Rates for sales.

(a) *General rules.* (1) Rates for sales:

(i) Shall be just and reasonable and in the public interest; and

(ii) Shall not discriminate against any qualifying facility in comparison to rates for sales to other customers served by the electric utility.

(2) Rates for sales which are based on accurate data and consistent systemwide costing principles shall not be considered to discriminate against any qualifying facility to the extent that such rates apply to the utility's other customers with similar load or other cost-related characteristics.

(b) *Additional Services to be Provided to Qualifying Facilities.* (1) Upon request of a qualifying facility, each electric utility shall provide:

(i) Supplementary power;

(ii) Back-up power;

(iii) Maintenance power; and

(iv) Interruptible power.

(2) The State regulatory authority (with respect to any electric utility over which it has ratemaking authority) and the Commission (with respect to any nonregulated electric utility) may waive any requirement of paragraph (b)(1) of this section if, after notice in the area served by the electric utility and after opportunity for public comment, the electric utility demonstrates and the State regulatory authority or the Commission, as the case may be, finds that compliance with such requirement will:

(i) Impair the electric utility's ability to render adequate service to its customers; or

(ii) Place an undue burden on the electric utility.

(c) *Rates for sales of back-up and maintenance power.* The rate for sales of back-up power or maintenance power:

(1) Shall not be based upon an assumption (unless supported by factual data) that forced outages or other reductions in electric output by all qualifying facilities on an electric utility's system will occur simultaneously, or during the system peak, or both; and

(2) Shall take into account the extent to which scheduled outages of the qualifying facilities can be usefully coordinated with scheduled outages of the utility's facilities.

§ 292.306 Interconnection costs.

(a) *Obligation to pay.* Each qualifying facility shall be obligated to pay any interconnection costs which the State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may assess against the qualifying facility on a

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(b) *Reimbursement of interconnection costs.* Each State regulatory authority (with respect to any electric utility over which it has ratemaking authority) and nonregulated utility shall determine the manner for payments of interconnection costs, which may include reimbursement over a reasonable period of time.

§ 292.307 System emergencies.

(a) *Qualifying facility obligation to provide power during system emergencies.* A qualifying facility shall be required to provide energy or capacity to an electric utility during a system emergency only to the extent:

(1) Provided by agreement between such qualifying facility and electric utility; or

(2) Ordered under section 202(c) of the Federal Power Act.

(b) *Discontinuance of purchases and sales during system emergencies.* During any system emergency, an electric utility may discontinue:

(1) Purchases from a qualifying facility if such purchases would contribute to such emergency; and

(2) Sales to a qualifying facility, provided that such discontinuance is on a nondiscriminatory basis.

§ 292.308 Standards for operating reliability.

Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may establish reasonable standards to ensure system safety and reliability of interconnected operations. Such standards may be recommended by any electric utility, any qualifying facility, or any other person. If any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility establishes such standards, it shall specify the need for such standards on the basis of system safety and reliability.

Subpart D—Implementation

AUTHORITY: Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601 *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791 *et seq.*, Federal Power Act, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101 *et seq.*, E.O. 12009, 42 FR 46267.

SOURCE: 45 FR 12236, Feb. 25, 1980, unless otherwise noted.

§ 292.401 Implementation by State regulatory authorities and nonregulated electric utilities.

(a) *State regulatory authorities.* Not later than one year after these rules take effect, each State regulatory authority shall, after notice and an opportunity for public hearing, commence implementation of Subpart C (other than § 292.302 thereof). Such implementation may consist of the issuance of regulations, an undertaking to resolve disputes between qualifying facilities and electric utilities arising under Subpart C, or any other action reasonably designed to implement such subpart (other than § 292.302 thereof).

(b) *Nonregulated electric utilities.* Not later than one year after these rules take effect, each nonregulated electric utility shall, after notice and an opportunity for public hearing, commence implementation of Subpart C (other than § 292.302 thereof). Such implementation may consist of the issuance of regulations, an undertaking to comply with Subpart C, or any other action reasonably designed to implement such subpart (other than § 292.302 thereof).

(c) *Reporting requirement.* Not later than one year after these rules take effect, each State regulatory authority and nonreguated electric utility shall file with the Commission a report describing the manner in which it will implement Subpart C (other than § 292.302 thereof).

§ 292.402 Implementation of certain reporting requirements.

Any electric utility which fails to comply with the requirements of § 292.302(b) shall be subject to the same penalties to which it may be sub-

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jected for failure to comply with the requirements of the Commission's regulations issued under section 133 of PURPA.

§ 292.403 Waivers.

(a) *State regulatory authority and nonregulated electric utility waivers.* Any State regulatory authority (with respect to any electric utility over which it has ratemaking authority) or nonregulated electric utility may, after public notice in the area served by the electric utility, apply for a waiver from the application of any of the requirements of Subpart C (other than § 292.302 thereof).

(b) *Commission action.* The Commission will grant such a wavier only if an applicant under paragraph (a) of this section demonstrates that compliance with any of the requirements of Subpart C is not necessary to encourage cogeneration and small power production and is not otherwise required under section 210 of PURPA.

Subpart E—Qualification of Cogeneration Facilities for Incremental Pricing Exemption

AUTHORITY: Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617; Natural Gas Policy Act of 1978, Pub. L. 95-621; Department of Energy Organization Act, Pub. L. 95-91; E.O. 12009, 42 FR 46267; Pub. L. 96-511, 94 Stat. 2812 (44 U.S.C. 3501 *et seq.*), unless otherwise noted.

SOURCE: 44 FR 65746, Nov. 15, 1979, unless otherwise noted.

§ 292.501 Scope.

This subpart defines qualifying cogeneration facilities for the sole purpose of establishing an interim exemption from incremental pricing under the Natural Gas Policy Act of 1978.

§ 292.502 Qualifying requirements for cogeneration facilities.

(a) *Definition of qualifying cogeneration facility.* For purposes of Title II of the Natural Gas Policy Act of 1978 (NGPA), and Subpart B of Part 282 of the Commission's rules, the term "qualifying cogeneration facility" means a cogeneration facility which:

(1) Was in existence on November 1, 1979;

(2) Used natural gas as a fuel on or prior to that date;

(3) Produces electric energy and another form of useful energy (such as heat or steam), used for industrial, commercial, heating or cooling purposes, through the sequential use of energy; and

(4) Meets the efficiency standards set forth in this section.

(b) *Definitions.* For purposes of this subpart:

(1) "Cogeneration facility" means equipment used to produce electric energy and another form of useful energy (such as heat or steam), used for industrial, commercial heating or cooling purposes, through the sequential use of energy;

(2) "Useful thermal energy output" of a cogeneration facility means the heat made available for use in an industrial process or for use as space or water heating;

(3) "Useful power output" of a cogeneration facility means the electrical or mechanical energy made available for use, exclusive of any used solely in the power production process;

(4) "Total energy input" means the total energy of all forms supplied from external sources to the cogeneration facility. In the case of energy in the form of fossil fuel, the energy input is to be measured by the lower heating value of such fuel;

(5) "Working fluid energy input" to a cogeneration facility means the enthalpy of steam leaving a boiler minus that of the feed water, when the steam is subsequently used in a topping cycle;

(6) "Overall energy efficiency" means the ratio of the sum of all useful thermal and power outputs to the total energy input of the cogeneration facility, measured by means of actual data or estimates. Any energy used exclusively in the thermal process of a topping-cycle (supplementary firing) facility shall not be included as energy output or energy input for the purpose of determining the cogeneration facility's overall energy efficiency;

(7) "Internal energy efficiency" means the ratio of the sum of all useful thermal and power outputs to the working fluid energy input, measured by means of actual data or esti-

mates. Any energy used exclusively in the thermal process of a topping-cycle (supplementary firing) facility shall not be included as energy output or energy input for the purpose of determining the cogeneration facility's internal energy efficiency:

(8) A "topping-cycle cogeneration facility" means a cogeneration facility in which the energy input to the facility is first used to produce power, and the waste heat from power production is then used to provide useful heat;

(9) A "bottoming-cycle cogeneration facility" means a cogeneration facility in which the energy input to the system is first applied to a useful heating process, and the residual heat emerging from the process is used then for power production; and

(10) "Supplementary firing" means natural gas used only in the thermal process of a topping-cycle cogeneration facility, or only in the electric generating process of a bottoming-cycle cogeneration facility.

(c) *Efficiency standards for topping-cycle facilities.* For topping-cycle cogeneration facilities using natural gas, with or without any other fuels, the following efficiency standard applies:

(1) The facility's overall energy efficiency must be not less than 0.55, or

(2) The internal energy efficiency of the facility must be not less than 0.70.

(d) *Efficiency standards for bottoming-cycle facilities.* For bottoming-cycle cogeneration facilities, there is no efficiency standard for qualification.

(e) *Eligibility.* In order to obtain qualifying status under the interim rule, a cogeneration facility must:

(1) Have been in existence on November 1, 1979, and

(2) Have used natural gas as an energy input on or prior to November 1, 1979.

(f) *Waiver.* The Commission may waive any of the provisions of this subpart if it determines that such waiver is neccessary to encourage cogeneration.

(g) *Limitations of benefits of interim qualification.* Obtaining qualifying status for purpose of this interim rule does not:

(1) Constitute qualifying status for purposes of section 210 of the Public Utility Regulatory Policies Act of 1978 (PURPA), or

(2) Assure that a facility will be a qualifying facility under the Commission's final rules implementing section 201 of PURPA or Title II of the NGPA.

§ 292.503 Procedures for obtaining qualifying status.

(a) In order to be a qualifying facility for purposes of exemption from incremental pricing, a facility must meet the standards set forth in § 292.502.

(b) If a cogeneration facility meets the standards set forth in § 292.502, the owner or operator of the facility may file an executed exemption affidavit that the facility is a qualifying cogeneration facility, pursuant to the procedures set forth in § 282.204 of the Commission's rules.

Subpart F—Exemption of Qualifying Small Power Production Facilities and Cogeneration Facilities from Certain Federal and State Laws and Regulations

§ 292.601 Exemption to qualifying facilities from the Federal Power Act.

(a) *Applicability.* This section applies to qualifying facilities, other than those described in paragraph (b) of this section.

(b) *Exclusion.* This section does not apply to a qualifying small power production facility with a power production capacity which exceeds 30 megawatts, if such facility uses any primary energy source other than geothermal resources.

(c) *General rule.* Any qualifying facility described in paragraph (a) of this section shall be exempt from all sections of the Federal Power Act, except:

(1) Section 1-18, and 21-30;

(2) Sections 202(c), 210, 211, and 212;

(3) Sections 305(c); and

(4) Any necessary enforcement provision of Part III with regard to the sections listed in paragraphs (c)(1), (2) and (3) of this section.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordi-

nation Act, 15 U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[Order 135, 46 FR 19232, Mar. 30, 1981]

§ 292.602 Exemption to qualifying facilities from the Public Utility Holding Company Act and certain State law and regulation.

(a) *Applicability.* This section applies to any qualifying facility described in § 292.601(a), and to any qualifying small power production facility with a power production capacity over 30 megawatts if such facility produces electric energy solely by the use of biomass as a primary energy source.

(b) *Exemption from the Public Utility Holding Company Act of 1935.* A qualifying facility described in paragraph (a) of this section or a utility geothermal small power production facility shall not be considered to be an "electric utility company" as defined in section 2(a)(3) of the Public Utility Holding Company Act of 1935, 15 U.S.C. 79b(a)(3).

(c) *Exemption from certain State law and regulation.* (1) Any qualifying facility shall be exempted (except as provided in paragraph (c)(2)) of this section from State law or regulation respecting:

(i) The rates of electric utilities; and

(ii) The financial and organizational regulation of electric utilities.

(2) A qualifying facility may not be exempted from State law and regulation implementing Subpart C.

(3) Upon request of a State regulatory authority or nonregulated electric utility, the Commission may consider a limitation on the exemptions specified in paragraph (c)(1) of this section.

(4) Upon request of any person, the Commission may determine whether a qualifying facility is exempt from a particular State law or regulation.

(Energy Security Act, Pub. L. 96-294, 94 Stat. 611 (1980) Public Utility Regulatory Policies Act of 1978, 16 U.S.C. 2601, *et seq.*, Energy Supply and Environmental Coordination Act, 15 U.S.C. 791, *et seq.*, Federal Power Act, as amended, 16 U.S.C. 792 *et seq.*, Department of Energy Organization Act, 42 U.S.C. 7101, *et seq.*; E.O. 12009, 42 FR 46267)

[45 FR 12237, Feb. 25, 1980, as amended by Order 135, 46 FR 19232, Mar. 30, 1981]

PART 294—INTERIM PROCEDURES FOR SHORTAGES OF ELECTRIC ENERGY AND CAPACITY UNDER SECTION 206 OF THE PUBLIC UTILITY REGULATORY POLICIES ACT OF 1978

§ 294.101 Shortages of electric energy and capacity.

(a) *Definition of shortages of electric energy and capacity.* For purposes of this section, the term "anticipated shortages of electric or energy" means:

(1) Any situation anticipated to occur prior to April 30, 1983, in which the generating and bulk purchased power capability of a public utility will not be sufficient to meet its anticipated demand plus appropriate reserve margins and this shortage would affect the utility's capability adequately to supply electric services to its firm power wholesale customers; or

(2) Any situation anticipated to occur prior to April 30, 1983, in which the energy supply capability of a public utility is not sufficient to meet its customers' energy requirements and this shortage would affect the utility's capability adequately to supply electric services to its firm power wholesale customers.

(b) *Accommodation of shortages.* (1) Each public utility now serving firm power wholesale customers, shall, by July 23, 1979, submit a brief statement indicating how it would accommodate any shortages of electric energy or capacity affecting its firm power wholesale customers, if such shortages were to occur prior to September 30, 1979.

(2) This statement shall:

(i) Describe how the utility would assure that direct and indirect customers are treated without undue prejudice or disadvantage; and

(ii) It shall also identify any agreement, law, or regulation which might impair the utility's ability to accommodate such a shortage.

(3) Each utility shall file a copy of its statement with any appropriate State regulatory agency and all firm power wholesale customers.

(4) If prior to April 30, 1983, a plan for accommodating any shortages of electric energy or capacity affecting its firm power wholesale customers as de-

scribed in the brief statement submitted pursuant to paragraph (b)(1) of this section is modified, the utility must submit to the Commission and the persons described in paragraph (b)(3) of this section within 15 days of any such modification, a supplemental statement informing the Commission of those modifications.

(c) *Reporting requirements.* Each public utility shall immediately report to the Commission, to any State regulatory authority and to firm power wholesale customers, any anticipated shortage of electric energy or capacity. The report shall include the following information:

(1) The nature and projected duration of the anticipated capacity or energy supply shortage;

(2) A list showing all firm power wholesale customers affected or likely to be affected by the anticipated shortage;

(3) Procedures for accommodating the shortage, if different from those described in paragraph (b) of this section;

(4) An estimate of the effects (reduced power and energy usage) of use of these procedures upon the utility's wholesale and retail customers; and

(5) The name, title, address and telephone number of an officer or employee of the utility who may be contacted for further information regarding the shortage and planned actions of the utility.

(The reporting requirements contained in this section are not subject to OMB approval under section 3507 of the Paperwork Reduction Act, 44 U.S.C. 3501-3520.)

(Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617, 92 Stat. 3117; Federal Power Act, 16 U.S.C. 792 *et seq.*; Department of Energy Organization Act, 42 U.S.C. 7107 *et seq.*; E.O. 12009, 42 FR 46267; Administrative Procedure Act, 5 U.S.C. 553)

[44 FR 37502, June 27, 1979, as amended at 44 FR 61954, Oct. 29, 1979; 45 FR 23684, Apr. 8, 1980; 46 FR 24551, May 1, 1981; 47 FR 20296, May 12, 1982]

scribed in the brief statement submitted pursuant to paragraph (b)(1) of this section is modified, the utility must submit to the Commission and the persons described in paragraph (b)(3) of this section within 15 days of any such modification, a supplemental statement informing the Commission of those modifications.

(c) *Reporting requirements.* Each public utility shall immediately report to the Commission, to any State regulatory authority and to firm power wholesale customers, any anticipated shortage of electric energy or capacity. The report shall include the following information:

(1) The nature and projected duration of the anticipated capacity or energy supply shortage;

(2) A list showing all firm power wholesale customers affected or likely to be affected by the anticipated shortage;

(3) Procedures for accommodating the shortage, if different from those described in paragraph (b) of this section;

(4) An estimate of the effects (reduced power and energy usage) of use of these procedures upon the utility's wholesale and retail customers; and

(5) The name, title, address and telephone number of an officer or employee of the utility who may be contacted for further information regarding the shortage and planned actions of the utility.

(The reporting requirements contained in this section are not subject to OMB approval under section 3507 of the Paperwork Reduction Act, 44 U.S.C. 3501-3520.)

(Public Utility Regulatory Policies Act of 1978, Pub. L. 95-617, 92 Stat. 3117; Federal Power Act, 16 U.S.C. 792 *et seq.*; Department of Energy Organization Act, 42 U.S.C. 7107 *et seq.*; E.O. 12009, 42 FR 46267; Administrative Procedure Act, 5 U.S.C. 553)

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